



# **KING SABATA DALINDYEBO MUNICIPALITY ANNUAL REPORT 2008 / 2009**

**Prepared in the Office of the Municipal Manager**

**January 2009**

King Sabata Dalindyebo Municipality  
P.O Box 44  
Mthatha  
5100  
South Africa

Tel: (+27) 47-501-4  
Fax: (+27) 47-531-2085  
Web: [www.ksd.org.za](http://www.ksd.org.za)

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## Glossary of Terms

AG	Auditor General
CFO	Chief Financial Officer
DBSA	Development Bank of South Africa
DLGH	Department of Local Government and Housing
DWAF	Department of Water Affairs and Forestry
GAMAP	Generally Accepted Municipal Accounting Practise
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
IDP	Integrated Development Plan
KPA	Key Performance Area
KPI	Key Performance Indicator
KSD	King Sabata Dalindyebo Municipality
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MoU	Memorandum of Understanding
MPRA	Municipal Property Rates Act
MTREF	Medium Term Revenue and Expenditure Framework
PGDP	Provincial Growth and Development Plan
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan

## **Part 1: Introduction and overview**

### ***Foreword by the Mayor***

The 2008-2009 financial year has been a difficult one for the municipality and while the focus was on service delivery there were a number of funding matters that required being resolved. I am pleased to advise that with the assistance of the Development Bank of Southern Africa (DBSA) measures are now in place to intensify the recovery process that the municipality has embarked upon.

Subsequently there has been a significant improvement in revenue collection. The positive change in the income of KSD is as a result of the policies that were developed in the previous years and the successful implementation thereof. The income served us well and we could service some of the accumulated debt that was build up over the past decade.

We have prepared a draft Communication strategy that will be utilized to enhance our communication to our communities.

KSD has developed a successful track record in establishing working partnerships with our communities, including the traditional leadership and through the empowerment of ward committees who are increasingly taking ownership of projects so that these become self driven.

There has been a paradigm shift as councillors and officials are make acquainted with the implementation Key Performance Areas/ Indicators identified in the Service Delivery Budget Implementation Plan which is informed by the Integrated Development Planning (IDP).

The challenges that face KSD are many and complex and although a lot has been done to improve infrastructure, maintenance issues, and service delivery in

our communities there is still much to be accomplished to reduce the high levels of poverty and unemployment in the area.

The way ahead is clear. We need to further mobilize and co-ordinate our resources and establish partnerships in order to meet the targets and wipe out the backlogs.

We have begun this process with our communities through a number of ward to ward IDP outreach meetings/ programmes so that together we work towards improving their lives and ensure that they take ownership of the programs and projects contained in the IDP Review 2009/10 and a Master Plan.

The five (5) year vision of the IDP is on an annual basis improved in order to satisfy the bigger picture illustrated in the Master Plan which is a 20 year vision.

On behalf of the Executive Council, I am proud to present this annual report, which outlines the processes and challenges we have accepted together with our communities.

A word of appreciation goes to then newly appointed Municipal Manager for his leadership and to all the officials and Councillors of KSD for all the hard work that they have carried out during the 2008/09 financial year.

Finally, we take this opportunity to thank all those community members who have actively participated in the business of Council and assisted us in rendering quality services to our communities.

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**COUNCILLOR S. MLAMLI**  
**EXECUTIVE MAYOR**

## **The yearly program priorities' statement**

The Municipality's 2008/09 IDP identifies 31 priorities:

1. Road maintenance and upgrading.
2. Water and sanitation development.
3. Electrification.
4. Performance management system and staff development.
5. Revenue generation revival project.
6. Tourism development.
7. Local economic development programme.
8. Acceptable administrative and technical skills development.
9. HIV/AIDS for infected and affected.
10. Institutional development and council support.
11. Development and implementation of and ICT Master system plan.
12. Rationalisation of by-laws.
13. Housing development.
14. Urban renewal programme.
15. Multi-Purpose centres and community halls.
16. Crime prevention strategy and law enforcement.
17. Pre-schools, educational facilities and ABET.
18. Disaster Management.
19. Fire emergencies and rescue services.
20. Traffic control and safety.
21. SDF and Coffee-Bay/Hole in the wall development.
22. Primary and environmental health care.
23. Environmental management plan and land care
24. Solid waste management.
25. Asset Management strategy.
26. Financial reform program
27. Communication strategy.
28. Special programmes.
29. Public safety and security.
30. Licensing and vehicle testing.
31. Transport forum formulation.



## ***Overview of the Municipality***

### ***Vision***

A prosperous, sustainable and people centred municipality

### ***Mission***

To provide sustainable livelihoods and balanced development through quality service delivery and viable economic development strategy in a manner that promotes meaningful public participation and sound governance.

### ***Demographic information***

The total population of municipality is 415 2341 comprising of 55% females and 45% males. Of them 410 889 are indigenous Africans, 556 Indians, 2 318 coloureds and 1471 Whites. It is 3019 km's covering 32 wards as has having centers, Mthatha and Mqanduli. It comprises of 105 000 households with an average of 4 – 7 people per household.

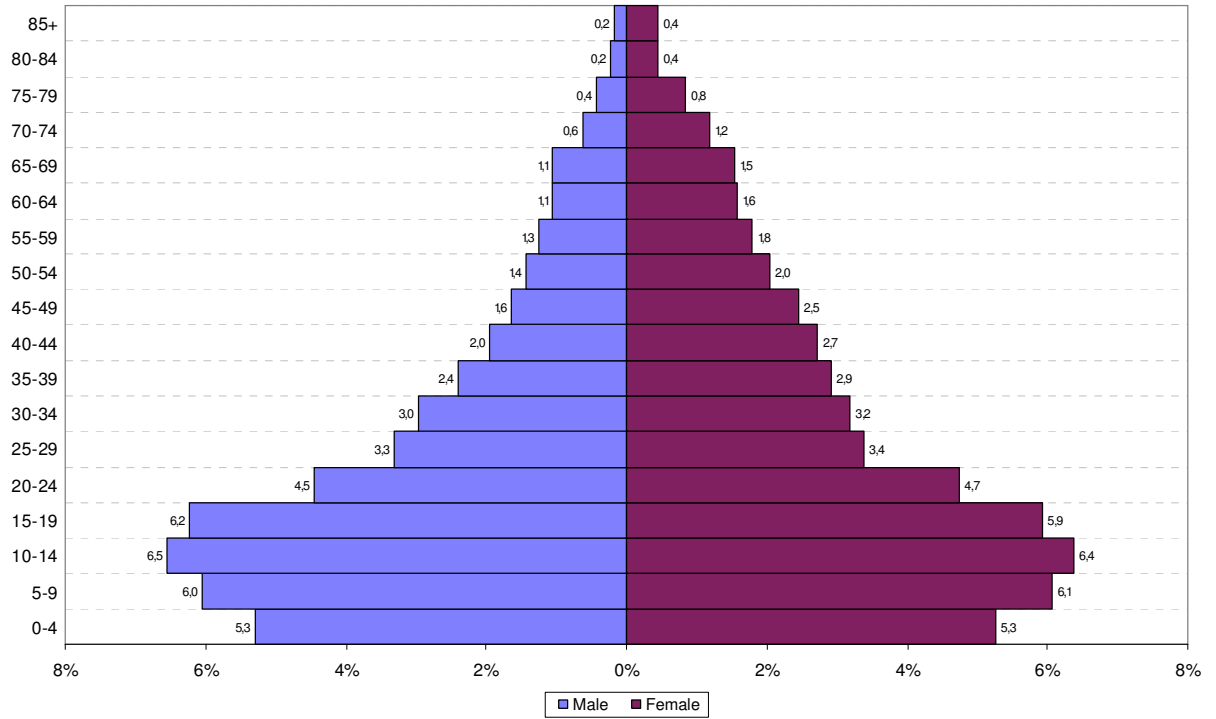
### **Community Survey 2007**

#### **Number of people in each local municipality in O.R Tambo District Municipality**

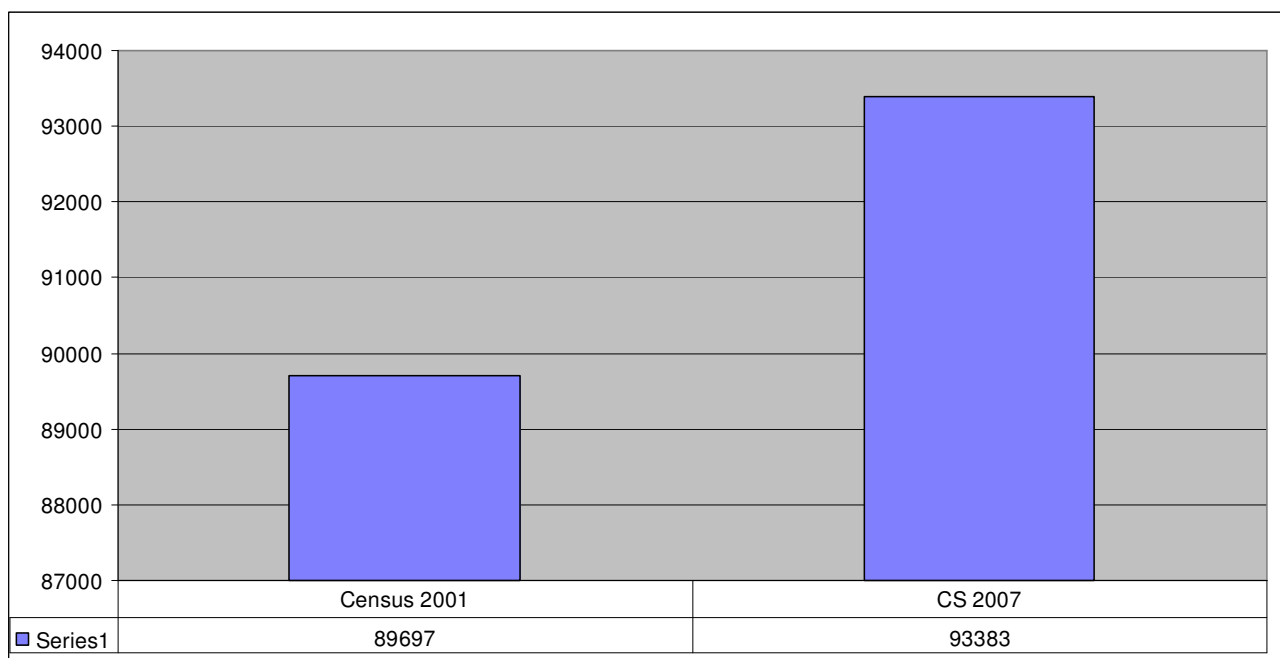
Municipalities	N	%	N	%
Mbizana	245730	14.6	279739	15.0
Ntabankulu	145799	8.6	149358	8.0
Port St Johns	146967	8.7	165084	8.8
Nyandeni	274416	16.3	314273	16.8
Mhlontlo	202851	12.0	237138	12.7
Ingquza Hill	254480	15.1	279795	15.0
KSD	416348	24.7	444830	23.8
Total	1686591	100	1870217	100.0

## Community Survey 2007

### Eastern Cape, Percentage distribution of population by five year- age group, and sex



### Total number of Household KSD Municipality



### ***Strategic Focus Areas***

- Spatial Development Framework
- Economic Development
- Service Delivery
- Institutional Development & Transformation
- Financial Viability
- Good Governance

### ***Long Term: The Master Plan***

The community of King Sabata Dalindyebo has ideas about how their municipality should look like in the next five (5) to twenty (20) years. This picture which is depicted in their minds or dreams of their ideal municipality is known as a vision as contained in the Master Plan.

This would be followed by creating of plan/s which are aligned to the community's vision and further approving and monitoring a Council budget, for operations as well as projects, which provides funds to implement the strategies that are derived from the vision as one of Council's greatest responsibilities to turn the Municipality around for better service delivery and development.

The Council must develop policies which will give direction and the Executive formulate strategies that are translated into action plans (Service Delivery Budget and Implementation Plans) that describe how Council is going to achieve its vision. In their wits, when Councillors make policy, they set the broad framework within which the councillors and the administration will take decisions and act. Without funds to implement policies, the council will not be able to take action or serve communities well. Then the vision of KSD Municipality which is “a prosperous, sustainable and people centred municipality” will then only be an unfeasible dream.

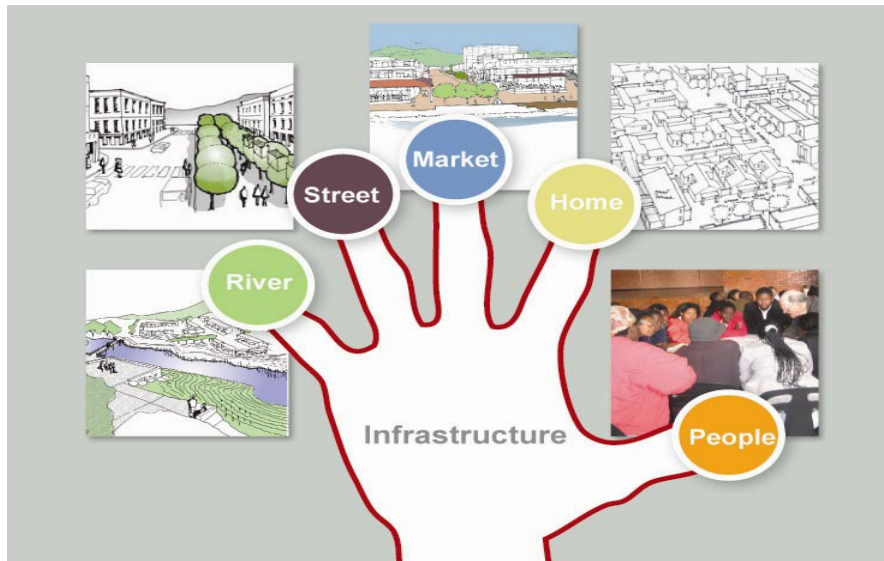
In order to achieve the above-stated vision over this five (5) year period, the King Sabata Dalindyebo Municipality should make tough budgeting choices and decisions and priorities on spending and focus its spending based on the IDP and Master Plan.

KSD Municipality formulated an integrated development plan which is used by the Municipality as her five (5) year strategic tool to map her development path in addressing the needs of the community within the municipal area and thus achieves the ideal of a better life for all as required by law.

A critical factor, which is having a negative impact and needing urgent intervention for developmental opportunities or initiatives and the economy of King Sabata Dalindyebo Municipality, is the plight of:

- a) Deteriorating infrastructure indicated by-
  - Collapsing road infrastructure
    - the many pot-holes and patches in town on asphalt roads and
    - on dirt roads corrugations that slow down speeds.
  - Electricity problems
    - Power outages in the suburbs longer than a day
    - Unreliable traffic lights on the main intersections
    - Street lights that were not all in working condition
  - Sewerage spills and unreliable water supply
    - Constant sewage spills into the river system
    - Sewage blockages in the main pipes , overflows into streets
    - Special water tanks in townships and informal settlements
    - Water shortages due to faulty mains
    - Water spills due to old burst pipes
- b) Challenges in Financial viability
- c) Challenges in Human resource development and Ethical Values
- d) Challenges in Polluted conditions in town
  - Waste removal processes
  - Uncontrolled littering
- e) Challenges in Economic Development and Poverty
- f) Challenges of HIV/AIDS
- g) Challenges of Crime

However, in attempting to overcome the above problem factors facing this Municipality, KSD Municipality developed a **Master Implementation Plan**. This 20-year Plan has been crafted around the theme of sustainability and integration and was then presented around the “5 systems of Sustainability” of River, Street, Market, Home and People reflected through the symbol of a hand and the palm representing the infrastructure binding the systems.



This 20 year plan aims to address the following key specific focus areas on a five year period underpinning the river, street, and home and market system.

- Spatial Development Framework
- Economic Development
- Service Delivery /Infrastructural development
- Institutional Development & Transformation
- Financial Viability
- Good Governance & Public Participation

Having identified the above focus areas in the IDP, departments prepared a set of objectives and strategies to achieve the long-term vision identified in the Master Plan.

## ***Executive Summary***

The 2009/10 year provided enormous challenges on the political and administrative leadership. This is in first full financial year that the Municipal Manager has served the Municipality. In addition the CFO, a chartered accountant, commenced duties in July 2008.

The work on the organisational structure commenced during the year and recognition was made that the old structure does not serve the service delivery mandate given to the municipality. Although, efforts have been made to develop our member's staff there is a significant shortage of the prerequisite skills in the municipality

In order for the Vision of KSD to be realised the IDP needs to be implemented and be a fundamental tool of its progress and includes a comprehensive Integrated and Sustainable Physical Development Plan (Master Plan) that fundamentally reviews SDF, LED, Infrastructure and Mobility Plans and Environmental Management for the Functional Urban Areas of Mthatha, Mquanduli and a SDF for Coffee Bay.

In 2007/08 the municipality made the conscious decision to remove the shackles of the 'disclaimer of audit opinion'. In this year this was realised by receiving a qualified opinion from the Auditor-General. However, the hard work has only started and much needs to be done to strengthen internal controls and improve governance. The improved financial management has manifested itself into improved financial viability for KSD. Revenue enhancement is driver here but efforts will be strengthened in the future.

The communities that KSD serves are paramount. Structures are in place to strengthen communication and interaction. In addition relationships with our provincial and national counterparts are on a very sound footing. The deployments from Provincial Treasury and DBSA have had profound effect.



## Part 2: KPA Achievement Reports

### Chapter 1: Organizational Transformation and Institutional Development

#### 1.1 Presentation of the organizational structure

<b>Department</b>	<b>Approved posts</b>	<b>Vacant posts</b>	<b>Vacancy Rate</b>
Community Services	<b>759</b>	<b>315</b>	<b>42%</b>
Corporate Services	<b>85</b>	<b>33</b>	<b>39%</b>
Finance	<b>92</b>	<b>38</b>	<b>41%</b>
Infrastructure	<b>364</b>	<b>185</b>	<b>51%</b>
Municipal Manager's office	<b>26</b>	<b>8</b>	<b>31</b>
Public Safety	<b>440</b>	<b>195</b>	<b>44%</b>
Planning, social and economic development	<b>20</b>	<b>5</b>	<b>25%</b>



**Municipal managers and S57 Manager's employment contracts and performance agreements**

<b>Position</b>	<b>Employment Contract</b>	<b>Performance agreement</b>	<b>Submitted to the department Y/N</b>
Municipal Manager	√	√	<b>Y</b>
Director: Infrastructure	√	√	<b>Y</b>
Chief Financial officer	√	√	<b>Y</b>

## 1.2 Staff development initiatives during the Financial year

TYPE OF TRAINING	CATEGORY	NUMBER ATTENDED
Project Management	Officials	12
People management skills for supervisors	Officials	16
Municipal Property Rates	Councillors	24
Media management, public relations and speech writing	Official	1
Batho Pele engagement programme	Officials and councillors	33 councillors 11 officials
Annual labour law seminar	Official	1
Section 28 Electrician training trade test	Officials	1
IMPSA National conference	Officials	1
Basic Arc Welding	Officials	12
GRAP/ GAMAP	Officials	2
IMPSA Workshop	Officials	22
People management skills	Officials	5
IMPSA Management skills of municipal law enforcement practitioners	Officials	27
Risk Based Audit Course	Officials	2
Performance management system	Officials	1
Asset Management	Officials	1
Generally recognized accounting	Officials	1

Practice training	Officials	<b>3</b>
Cuustomer Care	Officials	<b>8</b>
Soil stabilization, compact of roads building material and environmental management of roads	Officials	<b>1</b>
SAMTRAC	Officials	<b>1</b>
IRP Seminar	Officials	<b>2</b>
Payday – leave module	Officials	<b>12</b>
SANS 10142 – 1	Officials	<b>2</b>
Examiner for driving lessons	Officials	<b>2</b>
Salary restructuring and remuneration strategy	Officials	<b>1</b>
MFMA	Officials	<b>3</b>
Effective of municipal debt collection	Officials	<b>2</b>
Effective office etiquette, protocol and function co-ordination	Officials	<b>4</b>
Environmental impact assessment training	Officials	<b>7</b>
Advance law of evidence	Officials	<b>2</b>
MOVAC Traffic controller	Officials	<b>2</b>
Records management course	Officials	<b>15</b>
IMASA Annual general meeting	Officials	<b>1</b>
Expenditure and revenue management workshop	Officials	<b>1</b>

### 1.3 Key HR statistics per functional area

#### 1.3.1 MM/ Section 57

	<b>Approved positions (e.g. MM, s57..)</b>	<b>Number of approved and budgeted posts per person</b>	<b>Filled posts as at end June 2009</b>	<b>Vacant posts as at end June 2009</b>
1	Municipal Manager	1	1	0
2	Director: PSED	1	0	1
3	Director: Corporate Services	1	0	1
4	Director: Community Services	1	0	1
5	Director: Public Safety	1	0	1
6	Chief Financial Officer	1	1	0
7	Director: Infrastructure	1	1	0

### 1.3.2 Functional areas per organogram as at end June 2009

	<b>Approved positions – Executive managers/ass managers</b>	<b>Number of approved posts per position</b>	<b>Filled posts</b>	<b>Vacant posts</b>
<b>1</b>	1X Director Infrastructure	<b>1</b>	<b>1</b>	<b>0</b>
<b>2</b>	1X Manager, housing development	<b>1</b>	<b>1</b>	<b>0</b>
<b>3</b>	1X General Manager	<b>1</b>	<b>1</b>	<b>0</b>
<b>4</b>	1X GIS Manager	<b>1</b>	<b>0</b>	<b>1</b>
<b>5</b>	1X Works Superintendent	<b>1</b>	<b>1</b>	<b>0</b>
<b>6</b>	1X Roads Manager	<b>1</b>	<b>0</b>	<b>1</b>
<b>7</b>	1X Workshop Superindent	<b>1</b>	<b>1</b>	<b>0</b>
<b>8</b>	1X Electrical engineer	<b>1</b>	<b>1</b>	<b>0</b>
<b>9</b>	1X Distribution manager	<b>1</b>	<b>0</b>	<b>1</b>
<b>10</b>	1X Engineering services manager	<b>1</b>	<b>0</b>	<b>1</b>
<b>Total</b>		<b>10</b>	<b>6</b>	<b>4</b>

### 1.3.3 Technical staff registered with professional bodies as at end June 2009

<b>Technical services</b>	<b>Total number of technical service</b>	<b>Total number registered in the accredited professional</b>	<b>Total number pending registration confirmation in the</b>	<b>Total number not yet registered in the accredited professional</b>

	<b>Managers</b>	<b>body</b>	<b>accredited professional body</b>	<b>body</b>
Electrical engineer	10	1	None	none

#### 1.3.4 Levels of education and skills

<b>Total number of staff</b>	<b>Number of staff without grade 12</b>	<b>Number of staff with senior certificate only</b>	<b>Number of staff with professional training</b>
1125	485	473	167

#### 1.3.5 Trends on total expenditure

<b>Financial years</b>	<b>Total number of staff</b>	<b>Total approved operating budget</b>	<b>Actual expenditure</b>	<b>Personnel expenditure</b>	<b>% of personnel expenditure</b>
<b>2006-2007</b>	1185	277 727 440.00	275 409 045.00	149 152 331.00	54%
<b>2007-2008</b>	1122	297 146 816.00	330 842 563.00	153 566 369.00	52%
<b>2008-2009</b>	1125	365 042 000.00	359 810 765.46	165 676 814.30	45%

#### 1.3.6 List of pension and medical aids to whom employees belong

<b>Names of pension fund</b>	<b>Number of members</b>	<b>Names of medical Aids</b>	<b>Number of members</b>
Eastern Cape Group Pension and Gratuity fund	<b>138</b>	Medichex	<b>8</b>

Cape Joint pension fund	<b>6</b>	Key Health	<b>3</b>
United building society	<b>1</b>	Bonitas	<b>316</b>
National fund for municipal workers	<b>316</b>	Hosmed	<b>455</b>
SA Municipal Workers Union pension fund	<b>464</b>	Samwumed	<b>123</b>
Municipal provident fund	<b>79</b>	Local Authorities Medical Fund	<b>3</b>
Municipal Councillors Provident fund	<b>55</b>		

#### **1.4 Senior officials wages and benefits as at end June 2009**

<b>Official</b>	<b>Package</b>
Municipal Manager	899 607
Chief Financial Officer	690 701
Director: Technical Services	643 373
Director: Community services	Vacant
Director: Public Safety	Vacant
Director: Corporate services	vacant

#### **Implementation of the Performance Management System**

A Performance Management system was developed, adopted and implemented for all S57 Managers, Municipal manager and Contractual employees.

### 1.5 Annual performance as per key performance indicators in municipal transformation and organisational development

	<b>Indicator name</b>	<b>Total number of people (planned for) during the year under review</b>	<b>Achievement level during the year under review</b>	<b>Achievement percentage during the year</b>	<b>Comments on the gap</b>
1	Vacancy rate for all approved and budgeted posts;	1177	1125	4%	Vacancies advertised to be filled in 2009/10 financial year
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	7	3	42%	Delay in recruitment and selection process due to inability to attract suitable candidates
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development	Nil	N/a	N/a	N/a



	training course within the FY				
4	Percentage of Managers in Technical Services with a professional qualification	Nil	n/a	n/a	n/a
5	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	1122	1122	n/a	n/a
9	Percentage of councillors who attended a skill development training within the current 5 year term	64	64	0	n/a
10	Percentage of staff complement with disability	-	2	n/a	n/a
11	Percentage of female employees	-	450	n/a	n/a

12	Percentage of employees that are aged 35 or younger	-	140	-	n/a
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## ***Chapter 2: Basic Service delivery performance highlights***

### **2.1 Water services**

The operational service to deliver water is an OR Tambo DM responsibility. The ORTDM has allocated R51m for KSDM (KSD Municipality is negotiating with ORTDM with the aim of requesting ORTDM to release water to KSDM). There is a report which was prepared by DWAF in relation to the water quality and ORTDM needs to submit a report to the KSD Council in that regard. There are discussions with ORTDM to strengthen the IGR between the municipalities regarding the provision of this service.

However, with the handover of the services to ORT DM, the monitoring function moved to ORTDM as well.

### **2.2 Electricity services**

The municipality is still relying on the Energy Master plan (Ballenden & Rob) which was developed in 1998 and refined by Taylor and Associates in 2001. The Plan has been overtaken with a series of activities relating to electricity connection from Eskom. Therefore, there is a need to update and align the Energy Master plan with the KSD Master Plan strategy growth plan as well as the Eskom supplies strategy.

Currently, KSDM and Eskom have reduced the backlog of connections by connecting 900 households in Mqanduli and installing a substation in Wilo.

The KSDM has developed an indigent policy which considers an alternative on renewable energy. There is also a MoU between St Lucia and KSDM to attend to renewable or alternative energy option. Moreover, KSDM has a contract with EDI Holdings to deal with future implementation of RED programme.

However, KSDM experiences resource capacity both financially and human. The human resources will be considered in the organizational and re-structuring underway. KSDM has already made an attempt to approach funders to assist in electricity distribution.

## **2.3 Sanitation**

The operational sanitation service is provided by OR Tambo DM. The ORTDM have allocated R94m for the delivery of the service to KSDM.

The service provider ORTDM has a plan to address bulk infrastructure development with waste water treatment included. The KSD Master-plan brings new requirements to the fore and this requires that the plan by ORTDM needs to be aligned with development that will take place in KSD

## **2.4 Road maintenance**

The roads and transport conditions are in a bad state because, only light repairs are being done trying to erase the backlogs or projects are implemented in an abrupt fashion to restrict and/or respond to calamity and as a result are not sustainable since the roads require major rehabilitation in the urban areas. It will require KSD to update the integrated pavement management plan as well as an integrated transport plan, both aligned to the Master plan. This will assist in prioritizing the needs and to get funding for the rehabilitation/upgrade of the roads and implement it in an integrated manner over a period of time whilst building capacity in the teams to maintain it.

The Master plan is addressing an integrated approach towards roads and transport systems. There is a need to align the Roads and Transport Plan developed by OTR DM which deals basically with the rural roads in KSD. KSD has an operational and monitoring plan for new and old roads but there is insufficient budget to execute this function. There is a dire need to increase revenue base in order to be able to attend to the roads maintenance backlog in KSD. There is also a need to recruit more human resources. The existing Integrated Transport Plan needs to be revised in order to align with the Master-plan for future development and growth. The KSDM is currently upgrading Mamela taxi rank and Jubilee Square rank development.

The rural access roads projects and social amenities are listed below as per a three year investment plan:

REVISED THREE YEAR CAPITAL  
IMPLEMENTATION PLAN AND  
PREVIOUS FINANCIAL YEAR

DATE PREPARED: 26 AUGUST 2008

STATUS QUO OF PROJECT  
REGISTRATION

2008/2009 financial year:

PROJECT NAME	WARD NO	EXTENT OF WORKS	PROJECT VALUE	STATUS
Project Management Unit	-	-	R 1 749 563.80	Registered
Construction of Engcwanguba community hall	24	1unit	R 4 170 664.98	Constructed Complete
Construction of Blekana access road	27	4km	R 2 450 830.00	Constructed Complete
Construction of road from Empa to Madonisi	19	6,8km	R 3 602 000.00	Constructed Complete
Tarring of Waterfall access roads	2	2.5km	R 8 410 350.00	Registered
Construction of road from 14SAI soldiers group to Dlomo	14	6.2km	R 2 543 762.10	Constructed Complete
Access road and bridge from Mampingeni to Manuneni	15	10km	R 4 700 000.00	Under Construction
Construction of Habe bus stop to Mampondweni location	29	7.5km	R 3 442 737.30	Constructed Complete
Construction of access road - bridge from Mvunge to Sangoni	30	5.2km	R 2 439 600.00	Constructed Complete
Gengqe Access Road	21	6.3km	R 3 819 000.00	Constructed Complete
Makhumsheni Access Road	27	4.2km	R 2 622 000.00	Constructed Complete
Mpeko access road	31	10km	R 3 735 090.00	Constructed Complete
<b>TOTAL VALUE OF PROJECTS</b>			<b>R 31 359 904.48</b>	

PROJECT NAME	WARD NO	EXTENT OF WORKS	PROJECT VALUE	STATUS
Project Management Unit	-	-	R 1 367 150.00	Not registered
Access road from Darabe to Gasa JSS	28	5.1km	R 3 218 220.00	Constructed Complete
Nqadu West tarred road	9	2km	R 7 937 370.08	On Tender
Construction of Tyalarha via Krakra to Nontlutha Access Road	20	17.5km	R 8 863 372.09	Constructed Complete
Construction of access road from Kambi to Matiyane	12	6km	R 2 430 165.00	Constructed Complete
Road from Kwenxura to Kroza	20	16km	R 4 147 606.20	Under Costruction
Construction of road to Makhawula school, tribal authority & location	16	1.0km	R 548 807.40	Constructed Complete
Construction of Qokolweni to Jongilanga access road	26	14.5km	R 3 287 467.00	Registered
Luthuthu JSS to T280 access road	31/32	7.2km	R 4 005 905.22	Registered
Renovation and tarring of road from Vialiti via Nkanini to Ntlekiseni graveyard road	5	2.3km	R 5 660 100.00	Registered
Construction of Maqomeni to Mahlungulu access road	22	8.2km	R 7 212 700.00	Registered
Gravelling of Ncambedlana road	10	3km	R 1 098 247.50	Registered
Construction of access road to Lutshini	23	8.1km	R 6 055 000.00	Under Construction
Construction of streets at Sheshegu and Phelandaba	13	4.8km	R 2 974 736.00	Under Costruction

Construction of Siqikini access road	26	7.6km	R 4 256 680.50	Registered
Access road from Gwegwe via Qolweni to Xhwili shop	32	13.5km	R 8 447 196.04	Constructed Complete
<b>TOTAL VALUE OF PROJECTS</b>	<b>R 71 510 723.03</b>			

## **2.5 Waste management**

An Integrated Waste Management Plan was compiled in 2007 by Arcus Gibbs in an attempt to improve waste management services in KSD. The plan covers waste streams, Estimates of waste generated and population size including requirement for waste removal operations and landfill site management. As part of implementing Waste Management Plan 7 compact trucks were hired to support the Municipal refuse removal fleet which is in a deteriorating state. In an attempt to support Local Economic Development Initiatives, 4 open trucks owned by community members were hired on monthly bases for waste collection in the CBD. 324 community members contracted through DEAT to Support Cleaning and Greening. Plans are in place to review the Waste Management Plan and align it with the Master Plan.

The Department of Environmental Affairs and Tourism together with DWAF has condemned the use of unpermitted Landfill site and the municipality is in the process of closing the current site pending availability of land for the new site. The landfill site that is operational in Mqanduli is a permitted site but requires upgrading.

Funding of about R27 million has been secured by the Municipality from DEAT for Construction of new Landfill site in Mthatha and Upgrading of Landfill Site in Mqanduli. Feasibility study has been conducted on 7 sites to identify suitable site for establishment of the new Landfill Site. Out of the 7 sites 3 sites were regarded as possible sites for the Landfill and Geo –Tech studies and Hydrological studies were conducted. Based on the results of the studies the suitable site was identified as Orange Groove which is adjacent to and in the same ward with the current site which is currently at a bad state.

The Environmental Impact Assessment Studies and the progress on the establishment of the new site is on hold following refusal by the community affected to release the land citing health hazards posed to them by the existing site. Infrastructure and Community Services directorate of the municipality are in negotiations with the chiefs for the purchasing of land and also considering to negotiate with adjacent municipality. The plan makes also provision to close and rehabilitate the existing sites in Mthatha and Mqanduli.

The EIA forms part of the IWMP and Ikamva Consulting is contracted to do EIA once the new site is chosen as part of the bigger waste management project.

Environmentally friendly practices and economic opportunities will be included in the design of the new site in line with the Master Plan Projects.



## **2.6 Housing and town planning**

A draft integrated Housing Plan does exist (2007) It is still awaiting Council approval, however it needs to be aligned with the new Masterplan strategy in order to address the housing backlog as well as future growth for urban renewal and rural development, transportation, bulk services, social amenities and economic opportunities for the future KSD Municipality.

The KSD Masterplan further addresses the integration and linkages of the human settlements and sustainable development thereof.

## **2.7 Overall service delivery backlogs table**

### ***Chapter 3: Municipal LED framework implementation (KPA 3)***

#### **3.1 Brief presentation of LED strategy/plan**

An active and ongoing inter-governmental dialogue between King Sabata Dalindyebo Municipality (KSD) and National Provincial and District Government together with Parastatals provided a range of key development projects that show case the concept of an integrated aligned public service. The status of Mthatha as a regional centre is supported and entrenched by contributions from SANRAL , ACSA and ASGISA that improves the connectivity and access to Mthatha by the N2 upgrade, the airport upgrade and the link road from Ugie with the R61 (Queenstown Road).

The aligned planning, investment and implementation contributed to the growth of not only Mthatha but also of the neighbouring towns like Ugie /Maclear. The sizable economic impact also enhances the tourism access to Mthatha and makes the Nelson Mandela Cultural Precinct and other regional tourist attractions like Coffee Bay and Port St Johns more accessible and viable. The Neighbourhood Partnership Development Grant (NDPG - National Treasury) aligned with the Provincial Urban Renewal Programme in Ngangelizwe and Mthatha and provides further integration at community level - specifically with the upgrade of the old Transido Light Industrial park and the upgrade of the Rotary Sport Stadium and the 2010 Stadium. The furniture incubator facility of R18 million at Vulindlela is a successful partnership between KSD, OR Tambo District Municipality and the DTI. A SMME based brick making project at Maydene Farm, Ward 9 is another example of productive inter-governmental relations between KSD, DTI, and Provincial Department of Social Development with an investment value of R800,000.

KSD also had a successful partnership with DEDEA resulting in a welding and sewing mentorship and production project for women and youth. There are signed Memoranda of understanding between KSD and the Development Bank of Southern Africa, SANRAL, and DTI.

The new Master Plan for the Functional Urban Areas of KSD depends heavily on Intergovernmental relations that will lead to integrated implementation of all elements of the plan in creating Sustainable Human Settlements. The plan contains some 280 realistic projects over the next 20 years. The plan has been costed at current prices at approximately R4billion and the projects have been prioritised over the short

medium and long term and allocated according to funding source and implementing agency. While these estimates will be further refined during the 2009/10 financial year, an amount of approximately R1bn has already been secured from BNG, NDPG, Provincial Department of Health and EPWP. The dependence on investment by OR Tambo District Municipality in Bulk water and sanitation, Provincial Government in Social infrastructure and the role of other agencies such as ECDC in bringing about the transformation of the economic, social and natural environment is acknowledged and the Municipality will actively drive a communication programme with all spheres of Government to ensure alignment and commitment.

The role of the existing area based Management Committee will be instrumental in this. An amount of approximately R1bn is also included as an estimated investment by private sector and individuals in residential development. Significant further investments by the Private sector in property developments are expected and will be prom

#### **BUDGET ESTIMATES ACCORDING TO SOURCE**

<b>INSTITUTION</b>	<b>Amount - R'Million</b>	<b>%</b>	<b>STATUS</b>
<b>BNG</b>	R1,300m	36	R1bn confirmed
<b>Private Sector</b>	R1,000m	28	Estimate
<b>NDPG</b>	R 330m	9	R90mil confirmed
<b>MIG</b>	R 330m	9	Estimate
<b>Provincial Sector Departments</b>	R 470m	12	Estimate
<b>Agencies (ECDC, SANRAL &amp; Postnet)</b>	R 145m	3	R42mil confirmed
<b>KSD</b>	R 14m	2	Estimate

<b>Other</b>	R 6m	1	Estimate
<b>TOTAL</b>	R3,595m		R1,1bn confirmed

Some significant projects that are already in implementation include the 2010 stadium, Langeni forest development, the furniture incubator project and the SMME brick making project. The priorities also attend to tourism opportunities like the Nduli nature reserve and the Nelson Mandela Cultural precinct. The municipality had good exposure at the OR Tambo District Municipality's Investment Conference in February 2009.

In addition to the SMME development strategies and projects KSD embarked on various labour intensive projects to address poverty albeit limited to the short term. The co-operation between KSD, DEDEA and the District Municipality resulted in a community clean-up campaign for a 12 month period where unemployed persons could find some relief. Road construction within Ngangelizwe was done on the EPWP principles and the programme subsequently received extended funding to the amount of R25million from the Provincial Department of Public Works. Significant opportunities are seen in the intensive construction period that lies ahead and planning is being done to extensively train, capacitate and empower local unemployed people to engage as craftsmen and contractors. The extensions to the Transido facilities will include a training facility and partnerships with the Department of Labour and Grinaker-LTA are in place to take it forward.

The municipality has a strong urban centre surrounded by 80% rural based communities. The LED strategy aims to enhance the rural linkages to the urban core. Projects like the Coffee Bay/ Hole in the Wall Eco Tourism node development East of Mthatha, the Langeni forest project west of the city and the Mvezo agro-tourism node to the South. The Viedgesville –sustainable villages, (half way between Mthatha and Mvezo) is well placed and functions well. Some projects, like the Mpeko –Tele-centre has been established to stimulate training and commercial activities in the area between the airport and the city.

KSD has commenced with the review of the organisational and staff structure and will also be considering the requirements of the Master Plan. The KSD area based management committee is well supported by Provincial Sector departments. The DBSA has funded the facilitation costs for public participation during the crafting of the Master Plan in terms of the partnership agreement between DBSA and KSD and

the methodology of the Sustainable Development pilot. The Mthatha **development forum** is currently in the design and negotiation phase and will be an inclusive representative forum that was involved and will continue to facilitate participation in development planning and implementation and monitor and advice on the Master Plan.

### **3.2 Progress towards achieving the LED key objectives**

#### **a. Creation of market and public confidence**

A fully functioning tourism information center was established to disseminate and market KSD tourism attractions, products, amenities. It assists tourism entrepreneurs to develop tourism routes and package attractions. It collects data from tourism enterprises to formulate industry statistics to monitor trends and enable forward planning.

As promotional material, a colorful and informative brochure has been developed. It also lists accommodation enterprises in KSD.

In February 2009 KSD participated in the OR Tambo investment conference. The package of projects presented attracted both private and public sector interest.

#### **b. Comparative and competitive advantages for industrial activities**

The comparative advantage screen juxtaposes factor cost and availability conditions available in the economy with requirements of the prioritized sectors.

The abundance of unskilled labour with relatively better literacy levels, availability of fertile arable land, perennial rivers, temperate climate with high rain fall, good grazing land provide a solid foundation for agriculture, forestry and aquaculture. Whilst pristine and vast open spaces, warm coastal areas as well as rich heritage are a basis for tourism.

Competitive screen evaluated industry trends based on location attribute/ industry requirement juxtaposition. The expanding regional consumer markets attract both new retail and expansion of the retail industry. The potential of production of consumer goods to supply this demand is enormous.

The direct investment flows into establishment of retail malls portray strong evidence of the existence of a large consumer market that can sustain profitability in consumer-based economic initiatives.

Existing industry players such as the Mthatha Fresh Produce Market generates an annual turnover of approximately R 30 million with further growth but only 3% of its supplies come from the locality, similarly the Mthatha abattoir is grossly under utilized providing investment opportunity on upstream pre-slaughter initiatives.

#### c. Enterprise development

The key focus was on developing structures where entrepreneurs would co-operate. These included the establishment of the Local tourism organization, Arts and Cultural forum and the KSD co-operative forum. Forty- formal co-operatives have since been assisted to register and trained its member to operate them efficiently. In addition the establishment of the following enterprises and co-operatives were facilitated.

<b>ENTERPRISE</b>	<b>LOCATION</b>	<b>NO OF EMPLOYEES</b>
Efata	Efata	17
Cistrans cleaning chemical co-op	Zimbane	04
Masikule youth welding	Ngangelizwe	05
Young lions brickyard	Ncambedlana	42
Qhubeka bricks	Maydene farm	04

#### d. Social investment program

Training has been provided to 52 emerging entrepreneurs' co-operatives in financial management and project management.

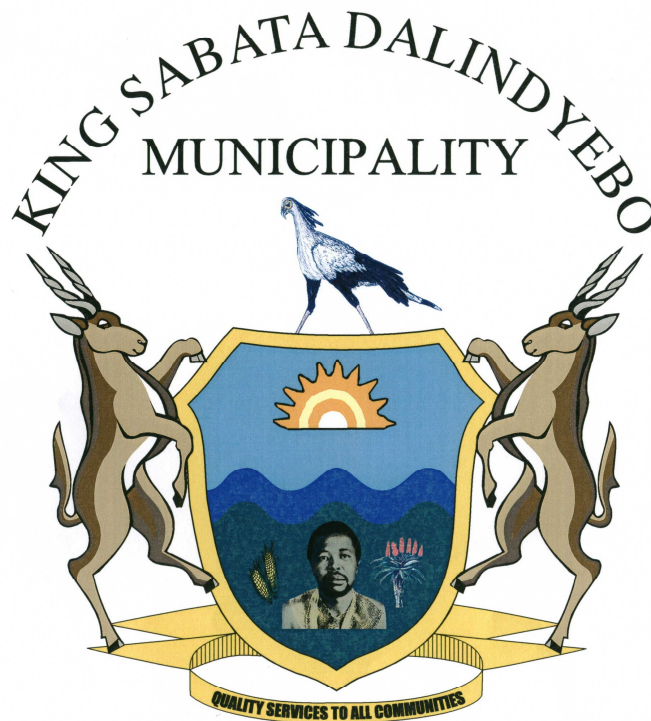
### **3.3 Challenges regarding LED strategy implementation**

Key challenges in the implementation include:

- Internally, the department is lamentably understaffed with two LED officers servicing 32 Wards and one tourism officer for the entire KSD.
- Limited budget allocation to the department retards intervention to community orientated initiatives. It also makes difficult to leverage private sector investment.
- Lack of land tenure reform and sound physical planning retards private investment to rural hinterland. The protracted land claims in Mthatha are also a hindrance.
- Limited skills base in rural areas limits the development capacity of the rural communities requiring increased and sustained support and mentoring.
- Infrastructure backlogs both general and enterprise specific infrastructure increase the capital investment required to establish enterprise such as lack of dams, irrigation systems, and poor access roads.
- Limited private sector investment in rural areas due to lack of land tenure reform and infrastructure backlogs.

***Chapter 4: Audited Statements and Other Financial Information –KPA 4***

**4.1 The audited financial statements**



**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**



**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**General information**

**Members of the Council**

**Executive Mayor**

Cllr S Mlamli

**Speaker**

Cllr FV Dondashe

**Members of the Executive Committee**

Cllr LN Ntlonze (Special Programmes Unit)

Cllr KK Mdikane (PSED)

Cllr MA Mayekiso (Chief Whip)

Cllr BT Mashiyi (Technical Services)

Cllr SS Dawuwa (Budget and Treasury)

Cllr N Ngqongwa (Human Settlements)

Cllr NS Njemla (Community Services)

Cllr M Stoyile (Public Safety)

Corporate Services

**Members**

Cllr H Bungqu

Cllr V Dangala

Cllr NR Gcingca

Cllr ON Godololo

Cllr MB Gqithiyeza

Cllr ZM Gusana

Cllr PJ Gwadiso

Cllr DB Gwazela

Cllr AVM Kraai

Cllr N Kuluta

Cllr KN Kwetana

Cllr PN Liwani

Cllr AN Lumkwana

Cllr GN Madubedube

Cllr LR Madyibi

Cllr N Madyibi

Cllr P Mangesi

Cllr PN Mantanga

Cllr M Mapelana

Cllr M Mavukwana

Cllr ZN Mncunza

Cllr VC Momoza

Cllr MH Mtirara

Cllr FM Mtwana

Cllr N Mtwana

Cllr WN Mvunge

Cllr NF Mzimane

Cllr GN Ndila

Cllr NA Ndlela

Cllr B Ndlobongela

Cllr MM Ngabayena

Cllr RF Ngqele

Cllr N Ngqongwa

Cllr NS Njemla

Cllr SS Njemla

Cllr NL Nkosiyanane

Cllr HMM Ntshobane

Cllr S Nyengane

Cllr B Pierce

Cllr SS Qina

**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Cllr BM Mbutuma  
Cllr N Mda

Cllr E Sangovana  
Cllr ZL Siziba

**General information (continued)**

**Members (continued)**

Cllr M Mkhotele  
Cllr M Mpahlwa  
Cllr M Mbutye  
Cllr GM Mkupa

Cllr NA Sobahle  
Cllr NF Soldati  
Cllr KW Tsipa  
Cllr V Vayeke

**Registered Office:**

**Mthatha**

**Physical address:**

**Munitata Building  
Surtherland Street  
Mthatha**

**Postal address:**

**Private Bag X 5083  
Mthatha  
5099**

**Telephone number:**

**(047) 501 4000**

**Fax number:**

**(047) 531 2085**

**E-mail address:**

**[ksd@ksd.org.za](mailto:ksd@ksd.org.za)**

**Grading of Local Authority**

**Grade 4**

**Auditors**

**Auditor General South Africa**

**Bankers**

**ABSA (Previously Meeg Bank)  
First National Bank**

**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 44 to 95, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 38 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**Municipal Manager:**

***31 August 2009***

**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>399 865 683</b>	<b>360 732 282</b>
Cash and cash equivalents	1	30 761 346	11 603 935
Trade and other receivables from exchange transactions	2	162 414 666	176 223 118
Other receivables from non-exchange transactions	3	2 712 345	8 987 375
Inventories	4;10	89 366 870	89 307 944
Call Investment Deposits	5	93 497 533	73 118 290
VAT receivable	13	20 631 276	1 491 620
Non-current assets held for sale	10	481 646	-
<b>Non-current assets</b>		<b>550 695 677</b>	<b>456 082 810</b>
Non-current receivables	6	198 640	252 908
Property, plant and equipment	7;10	508 858 497	414 203 809
Intangible assets	8	12 588	142
Investment property carried at fair value	9	41 625 952	41 625 952
<b>Total assets</b>		<b>950 561 359</b>	<b>816 815 092</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>170 471 827</b>	<b>274 485 783</b>
Trade and other payables from exchange transactions	11	80 297 166	50 625 311
Consumer deposits	12	678 395	286 114
Bank overdraft	1	-	13 788 439
Unspent conditional grants and receipts	14	75 555 310	52 255 913
Current portion of borrowings	15	3 774 723	112 868 644
Current portion of finance lease liability	16	-	-
Non-current liabilities held for sale	10	10 166 232	44 661 363
<b>Non-current liabilities</b>		<b>56 936 198</b>	<b>10 192 466</b>
Non-current borrowings	15	56 411 390	10 192 466
Non-current finance lease liability	16	524 809	-
<b>Total liabilities</b>		<b>227 408 025</b>	<b>284 678 249</b>
<b>Net assets</b>		<b>723 153 334</b>	<b>532 136 843</b>
<b>NET ASSETS</b>			
Reserves		159 957 197	126 325 513
Accumulated surplus / (deficit)		563 196 137	405 811 331
<b>Total net assets</b>		<b>723 153 334</b>	<b>532 136 843</b>

**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>Revenue</b>			
Property rates	17	61 489 662	71 337 822
Service charges	18	116 289 243	98 432 224
Rental of facilities and equipment	19	10 310 380	9 677 501
Interest earned - external investments	20	1 686 764	3 644 604
Interest earned - outstanding receivables	21	26 750 361	-
Fines		1 228 919	1 624 747
Licences and permits		7 994 196	7 100 921
Government grants and subsidies	22	242 629 802	118 259 528
Other income	23	5 022 393	3 878 122
<b>Total revenue</b>		<b>473 401 722</b>	<b>313 955 469</b>
<b>Expenses</b>			
Employee related costs	24	165 676 814	153 566 369
Remuneration of councillors	25	12 836 742	11 782 306
Bad debts		31 861 635	-
Debtors adjustments		6 242 982	5 895 622
Depreciation and amortisation expense	26	26 011 715	26 037 456
Repairs and maintenance		10 878 820	8 499 675
Finance costs	27	1 066 782	13 783 236
Bulk purchases	28	56 606 806	46 259 306
Contracted services	29	2 057 987	1 667 872
Grants and subsidies paid	30	22 404 322	39 834 590
General expenses	31	42 595 039	21 966 675
<b>Total expenses</b>		<b>378 239 645</b>	<b>329 293 108</b>
Loss on disposal of assets	32	(986 259)	(1 549 455)
<b>Surplus / (deficit) for the period</b>		<b>94 175 819</b>	<b>(16 887 094)</b>

**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**STATEMENT IN CHANGES IN NET ASSETS**  
for the year ended 30 June 2009

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R	R	R	R
<b>Balance at 30 June 2007</b>	<b>32 327 201</b>	<b>159 077 264</b>	<b>191 404 465</b>	<b>64 099 787</b>	<b>255 504 252</b>
<i>Correction of error on creditors</i>			-	72 553 365	72 553 365
<i>Correction of PPE due to valuation of properties</i>			-	33 299 790	33 299 790
<i>Difference in opening balance</i>			-	46 665 165	46 665 165
<i>Opening bank balance adjustment</i>			-	(1 653 141)	(1 653 141)
<i>Donated/contributed PPE</i>			-	22 955 541	22 955 541
<i>Movement in reserves</i>		556 308	<b>556 308</b>		556 308
Transfers to / from accumulated surplus/(deficit)	(28 341 037)	(158 825 074)	<b>(187 166 111)</b>	187 166 111	-
Surplus / (deficit) for the period			-	(16 887 094)	(16 887 094)
<b>Balance at 30 June 2008</b>	<b>3 986 164</b>	<b>808 498</b>	<b>4 794 662</b>	<b>408 199 524</b>	<b>412 994 186</b>
Correction of valuation of PPE & Investment Property	121 530 851		<b>121 530 851</b>	(2 388 193)	<b>119 142 657</b>
<b>Restated balance</b>	<b>125 517 015</b>	<b>808 498</b>	<b>126 325 513</b>	<b>405 811 331</b>	<b>532 136 843</b>
Correction of prior year error - Depreciation				-	-
PIC loan write off of accumulated interest				57 768 644	57 768 644
Correction of prior period error - DWAF				34 495 131	34 495 131
Correction of prior period error - Reversal of provision for bad debts				7 136 511	7 136 511
Correction of prior period error - Grant spent recognised in revenue				(16 681 376)	(16 681 376)
Correction of prior period error - Grant expenditure housing				13 093 240	13 093 240
Other items				696 627	696 627
Correction of prior period error - valuation of properties	33 299 790		<b>33 299 790</b>	(33 299 790)	-
Surplus / (deficit) on revaluation of investment property			-		-
Movement in reserves	-	331 894	<b>331 894</b>		331 894
Transfers to / from accumulated surplus/(deficit)			-		-
Surplus / (deficit) for the period			-	94 175 819	94 175 819
<b>Balance at 30 June 2009</b>	<b>158 816 805</b>	<b>1 140 392</b>	<b>159 957 197</b>	<b>563 196 137</b>	<b>723 153 334</b>

**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**STATEMENT IN CHANGES IN NET ASSETS**  
for the year ended 30 June 2009



**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**CASH FLOW STATEMENT**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		445 908 421	311 694 280
Cash paid to suppliers and employees		(295 120 980)	(311 753 080)
<b>Cash Generated from operations</b>	34	<b>150 787 441</b>	<b>(58 800)</b>
Interest received		28 437 126	3 644 604
Interest paid		(1 066 782)	1 823 302
<b>Net cash flows from operating activities</b>		<b>178 157 784</b>	<b>5 409 106</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(121 899 917)	(29 193 719)
Proceeds on disposal of property, plant and equipment		-	654 106
Decrease in non-current receivables		54 268	56 376
Increase/decrease in call investment deposits		(20 379 243)	(36 141 082)
<b>Net cash flows from investing activities</b>		<b>(142 224 892)</b>	<b>(64 624 319)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(5 106 354)	(222 693)
Repayment/Raising of finance lease liability		524 809	-
Increase in consumer deposits		392 282	157 478
Increase/(decrease) in Funds and Reserves		1 202 220	70 826 632
<b>Net cash flows from financing activities</b>		<b>(2 987 043)</b>	<b>70 761 417</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>32 945 850</b>	<b>11 546 204</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>(2 184 504)</b>	<b>(13 730 708)</b>
<b>Net cash and cash equivalents at end of period</b>	34.3	<b>30 761 346</b>	<b>(2 184 504)</b>

**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**ACCOUNTING POLICIES**  
for the year ended 30 June 2009

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) and in terms of General Notices 991 of 2005 and General Notice 516 of 2008.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET**

**1.5 EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

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**2 RESERVES**

**2.1 REVALUATION RESERVE**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

**2.2 SELF INSURANCE RESERVE**

A Self-Insurance Reserve has been established and, subject to external insurance where, deemed necessary, covers claims that may occur.

Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

The balance of the Self-Insurance Reserve is fully cash backed and invested.

**3 PROPERTY, PLANT AND EQUIPMENT**

**3.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**3.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)**

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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**3.3 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**3.4 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>	<b>Years</b>	<b>Other</b>	<b>Years</b>
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	7
Sewerage	15-20	Furniture and fittings	10
		Watercraft	15
<b>Community</b>		Bins and containers	5
Buildings	30	Specialised plant and equipment	15
Recreational Facilities	20-30	Other items of plant and equipment	5
Security	5	Landfill sites	30
Halls	30	Computer equipment	3
Libraries	30		
Parks and gardens	20-30		
Sport Fields	20-30		
<b>Heritage assets</b>		<b>Finance lease assets</b>	
Buildings	30	Vehicles	5
Paintings and artifacts	Infinite		

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

**3.5 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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#### **4 INTANGIBLE ASSETS**

##### **4.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

##### **4.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

##### **4.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

##### **4.4 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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**5 INVESTMENT PROPERTY**

**5.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

**5.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

**6 NON-CURRENT ASSETS HELD FOR SALE**

**6.1 INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**6.2 SUBSEQUENT MEASUREMENT**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

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## **7 INVENTORIES**

### **7.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **7.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

## **8 FINANCIAL INSTRUMENTS**

### **8.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

### **8.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **8.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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**8.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

**8.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

**8.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**9 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



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**10 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**11 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**12 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

**13 LEASES**

**13.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

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**13.2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**14 REVENUE**

**14.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

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**14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**14.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**15 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

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**16 EMPLOYEE BENEFITS**

**16.1 SHORT - TERM EMPLOYEE BENEFITS**

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

**16.2 TERMINATION BENEFITS**

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

**16.3 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

**Defined Contribution Plans**

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**Defined Benefit Plans**

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

**Post Employment Medical Care Benefits**

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

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**17 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>1 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		2 200	2 200
Cash at bank		30 759 146	11 601 735
		<b>30 761 346</b>	<b>11 603 935</b>
The Municipality has the following bank accounts: -			
<b><u>Current Account (Primary Bank Account)</u></b>			
Meeg Bank - Mthatha: Account Number 4048218780		21 862 406	6 599 228
Cash book balance at beginning of year		(13 788 439)	(23 944 169)
Cash book balance at end of year		<b>21 862 406</b>	<b>(13 788 439)</b>
Bank statement balance at beginning of year		12 179 091	(11 184 365)
Bank statement balance at end of year		<b>27 802 138</b>	<b>12 179 091</b>
<b><u>Current Account (Other Account)</u></b>			
Meeg Bank Cash Focus - Mthatha: Account Number 4053806112		13 238	(189 170)
Meeg Bank Inter government grant - Mthatha: Account Number 4084004		6 780 981	46 687
Meeg Bank Electricity Account - Mthatha Account Number 4061496604		1 210 833	3 072 416
FNB Electricity Income - Mthatha Account Number 62090323636		891 688	2 072 575
Cash book balance at beginning of year		11 601 735	10 096 290
Cash book balance at end of year		<b>8 896 741</b>	<b>11 601 735</b>
Bank statement balance at beginning of year		5 449 720	7 740 254
Bank statement balance at end of year		<b>8 561 979</b>	<b>5 449 720</b>
<b><u>Cash on hand</u></b>		<b>2 200</b>	<b>2 200</b>
Total cash and cash equivalents		<b>30 761 346</b>	<b>(2 184 504)</b>
Total bank overdraft		-	-

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**TRADE AND OTHER RECEIVABLES FROM  
2 EXCHANGE TRANSACTIONS**

**Trade receivables  
as at 30 June 2009**

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Service debtors			
Rates	90 328 545	(6 025 754)	84 302 791
Electricity	10 238 908	(1 679 198)	8 559 710
Water	369 855	(60 657)	309 198
Sewerage	624 389	(102 401)	521 988
Refuse	49 809 887	(8 168 904)	41 640 983
Housing rental	42 293 598	(15 724 497)	26 569 101
Other	611 120	(100 225)	510 895
<b>Total</b>	<b>194 276 301</b>	<b>(31 861 635)</b>	<b>162 414 666</b>

**as at 30 June 2008**

Service debtors			
Rates	84 991 370	-	84 991 370
Electricity	23 172 571	(9 018 338)	14 154 233
Water	31 942 697	(32 217 913)	(275 217)
Sewerage	8 354 571	(8 356 095)	(1 524)
Refuse	43 721 156	-	43 721 156
Housing rental	33 828 072		33 828 072
Other	25 040 499	(25 235 471)	(194 973)
<b>Total</b>	<b>251 050 935</b>	<b>(74 827 817)</b>	<b>176 223 118</b>

**Rates: Ageing**

	2009 R	2008 R
Current (0 – 30 days)	8 607 447	3 020 236
31 - 60 Days	3 489 873	2 740 540
61 - 90 Days	2 727 130	3 172 386
91 - 120 Days	75 504 095	76 058 208
<b>Total</b>	<b>90 328 545</b>	<b>84 991 370</b>

**Electricity**

Current (0 – 30 days)	6 533 453	2 472 229
31 - 60 Days	1 230 337	1 403 210
61 - 90 Days	646 099	399 056
91 - 120 Days	1 829 019	18 898 076
<b>Total</b>	<b>10 238 908</b>	<b>23 172 571</b>

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**Water and Sewerage: Ageing**

Current (0 – 30 days)		-
31 - 60 Days		
61 - 90 Days		
91 - 120 Days	994 243	40 297 268 -
<b>Total</b>	<b>994 243</b>	<b>40 297 268</b>

**Refuse**

Current (0 – 30 days)	3 064 386	1 883 827
31 - 60 Days	1 474 339	872 091
61 - 90 Days	1 401 994	1 018 561
91 - 120 Days	43 869 168	39 946 677 -
<b>Total</b>	<b>49 809 887</b>	<b>43 721 156</b>

**Housing Rentals**

Current (0 – 30 days)	1 549 936	631 882
31 - 60 Days	1 116 461	614 022
61 - 90 Days	1 095 355	583 688
91 - 120 Days	38 531 846	31 998 480 -
<b>Total</b>	<b>42 293 598</b>	<b>33 828 072</b>

**Other**

Current (0 – 30 days)		-
31 - 60 Days		22 844
61 - 90 Days		110 258
91 - 120 Days	611 120	24 907 397 -
<b>Total</b>	<b>611 120</b>	<b>25 040 499</b>



**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

<u>Summary of Debtors by Customer Classification</u>	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
<b>2</b>			
<b>as at 30 June 2009</b>			
Current (0 – 30 days)	4 326 088	2 066 413	
31 - 60 Days	5 769 966	1 218 188	322 855
61 - 90 Days	5 960 619	972 699	94 347
91 - 120 Days	153 682 454	16 962 538	2 900 134
Sub-total	<b>169 739 128</b>	<b>21 219 837</b>	<b>3 317 336</b>
Less: Provision for doubtful debts	(29 695 709)	(1 873 101)	(292 825)
<b>Total debtors by customer classification</b>	<b>140 043 419</b>	<b>19 346 737</b>	<b>3 024 511</b>
<b>as at 30 June 2008</b>			
Current (0 – 30 days)	-	714 531	-
31 - 60 Days	3 663 827	1 156 488	832 392
61 - 90 Days	3 559 115	1 507 108	217 726
91 - 120 Days	207 804 103	15 053 331	16 542 314
Sub-total	<b>215 027 045</b>	<b>18 431 458</b>	<b>17 592 432</b>
Less: Provision for doubtful debts	(71 208 284)	(280 110)	(3 339 423)
<b>Total debtors by customer classification</b>	<b>143 818 761</b>	<b>18 151 348</b>	<b>14 253 009</b>

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**2 Reconciliation of the doubtful debt provision**

	2009 R	2008 R
Balance at beginning of the year	74 827 817	74 654 299
Contributions to provision	12 960 037	173 518
Doubtful debts written off against provision	(48 789 708)	-
Reversal of provision	(7 136 511)	-
<b>Balance at end of year</b>	<b>31 861 635</b>	<b>74 827 817</b>

**Trade and other receivables past due but not impaired**

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At The ageing of amounts past due but not impaired is as follows:

1 month past due	5 105 050
2 months past due	3 489 873
3 months past due	2 727 130

**Trade and other receivables impaired**

As of 30 June 2009, trade and other receivables of R31 861 635 (2008: R 74 827 817-) were impaired and The amount of the provision was R31 861 635 - as of 30 June 2009 (2008: R74 827 817).

The ageing of these receivables is as follows:

3 to 6 months	(31 861 635)	(74 827 817)
Over 6 months	(31 861 635)	(74 827 817)

The fair value of trade and other receivables approximates their carrying amounts.

**3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Other debtors	2 712 345	8 977 375
Prepayments	-	10 000
<b>Total Other Debtors</b>	<b>2 712 345</b>	<b>8 987 375</b>

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**4 INVENTORIES**

**Closing balance of inventories:**

	<b>89 366 870</b>	<b>89 307 944</b>
Consumable stores	960 540	359 520
Maintenance materials	-	162 407
Spare parts	744 330	831 375
Water	-	292 643
Township houses	87 662 000	87 662 000

**5 CALL INVESTMENT DEPOSITS**

Deposits	27 382 504	24 981 869
Call investments	66 115 029	48 136 421
	<b>93 497 533</b>	<b>73 118 290</b>

Investment deposits are ring fenced in separate investment accounts for conditional grants.

**6 NON-CURRENT RECEIVABLES**

Officials : Housing loans	198 640	252 908
<b>Total</b>	<b>198 640</b>	<b>252 908</b>

**HOUSING SELLING SCHEME LOANS**

No Housing loans are granted to officials of the municipality anymore. The outstanding amount is recovered from employee salaries

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**7 PROPERTY, PLANT AND EQUIPMENT**

**7.1 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2008</b>	<b>52 877 921</b>	<b>9 072 732</b>	<b>294 113 361</b>	<b>52 916 278</b>	-	<b>5 223 658</b>	-	<b>414 203 950</b>
Cost/Revaluation	52 877 921	16 740 289	367 880 735	69 706 609	-	27 433 838	-	534 639 392
Accumulated depreciation and impairment losses	-	(7 667 557)	(73 767 374)	(16 790 331)	-	(22 210 180)	-	(120 435 442)
Acquisitions	-	-	5 355 002	-	-	799 481	560 950	6 715 433
Capital under Construction	-	-	38 728 282	76 456 202	-	-	-	<b>115 184 484</b>
Depreciation	-	(1 381 807)	(22 475 595)	(1 141 515)	-	(1 012 799)	-	(26 011 715)
Carrying value of disposals	-	-	-	-	-	<b>(1 036 259)</b>	-	<b>(1 036 259)</b>
Cost/Revaluation	-	-	-	-	-	(9 242 981)	-	(9 242 981)
Accumulated depreciation and impairment losses	-	-	-	-	-	8 206 722	-	8 206 722
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	(4 733 103)	(3 024 000)	-	-	-	-	-	(7 757 103)
<b>as at 30 June 2009</b>	<b>52 877 921</b>	<b>7 690 925</b>	<b>315 721 050</b>	<b>128 230 965</b>	-	<b>3 974 081</b>	<b>560 950</b>	<b>509 055 893</b>
Cost/Revaluation	52 877 921	16 740 289	411 964 019	146 162 811	-	18 990 338	560 950	647 296 328
Accumulated depreciation and impairment losses	-	(9 049 364)	(96 242 968)	(17 931 846)	-	(15 016 257)	-	(138 240 435)

Refer to Appendix B for more detail on property, plant and equipment  
Property, Plant and Equipment pledged as security  
The Munitata Building is pledged as security for the overdraft facility

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**7.1 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2007</b>	<b>24 331 234</b>	<b>15 754 075</b>	<b>288 775 223</b>	<b>55 020 116</b>	-	<b>6 216 126</b>	-	<b>390 096 774</b>
Cost/Revaluation	24 331 234	22 677 856	339 931 139	69 445 018	-	26 451 306	-	482 836 553
Accumulated depreciation and impairment losses	-	(6 923 781)	(51 155 916)	(14 424 902)	-	(20 235 180)	-	(92 739 779)
Acquisitions	-	-	27 949 596	261 591	-	982 532	-	29 193 719
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	(1 473 762)	(22 611 458)	(2 365 429)	-	(1 975 000)	-	(28 425 649)
Carrying value of disposals	<b>(20 000)</b>	<b>(2 183 581)</b>	-	-	-	-	-	<b>(2 203 581)</b>
Cost/Revaluation	(20 000)	(2 913 567)	-	-	-	-	-	(2 933 567)
Accumulated depreciation and impairment losses	-	729 986	-	-	-	-	-	729 986
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	(4 733 103)	(3 024 000)	-	-	-	-	-	(7 757 103)
Revaluation	33 299 790	-	-	-	-	-	-	33 299 790
<b>as at 30 June 2008</b>	<b>52 877 921</b>	<b>9 072 732</b>	<b>294 113 361</b>	<b>52 916 278</b>	-	<b>5 223 658</b>	-	<b>414 203 950</b>
Cost/Revaluation	52 877 921	16 740 289	367 880 735	69 706 609	-	27 433 838	-	534 639 392
Accumulated depreciation and impairment losses	-	(7 667 557)	(73 767 374)	(16 790 331)	-	(22 210 180)	-	(120 435 442)

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**8 INTANGIBLE ASSETS**

<b>8.1 Reconciliation of carrying value</b>	<b>Computer Software R</b>
<b>as at 1 July 2008</b>	<b>142</b>
Cost	396 636
Accumulated amortisation and impairment losses	(396 494)
Acquisitions	13 029
Amortisation	(441)
Carrying value of disposals	<b>(142)</b>
Cost	(396 636)
Accumulated amortisation	396 494
Impairment loss/Reversal of impairment loss	-
Transfers	-
Other movements	-
<b>as at 30 June 2009</b>	<b>12 588</b>
Cost	13 029
Accumulated amortisation and impairment losses	(441)

<b>8.1 Reconciliation of carrying value</b>	<b>Computer Software R</b>
<b>as at 1 July 2007</b>	<b>142</b>
Cost	396 636
Accumulated amortisation and impairment losses	(396 494)
Acquisitions	-
Amortisation	-
Carrying value of disposals	-
Cost	-
Accumulated amortisation	-
Impairment loss/Reversal of impairment loss	-
Transfers	-
Other movements	-
<b>as at 30 June 2008</b>	<b>142</b>
Cost	396 636
Accumulated amortisation and impairment losses	(396 494)

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**9 INVESTMENT PROPERTY CARRIED AT FAIR VALUE**

<b>9.1 Reconciliation of fair value</b>	<b>Investment property R</b>	<b>Total R</b>
<b>as at 1 July 2008</b>	<b>41 625 952</b>	<b>41 625 952</b>
Acquisitions	-	-
Fair value adjustment	-	-
<b>as at 30 June 2009</b>	<b>41 625 952</b>	<b>41 625 952</b>
<b>9.2 Reconciliation of fair value</b>	<b>Investment property R</b>	<b>Total R</b>
<b>as at 1 July 2007</b>	-	-
Transfer from PPE	7 757 103	7 757 103
Fair value adjustment	33 868 849	33 868 849
<b>as at 30 June 2008</b>	<b>41 625 952</b>	<b>41 625 952</b>
The municipality has the following types of Investment properties		
- Muncpal Land with commercial improvements	<u>26 391 952</u>	
The municipality has long term lease agreements of land where improvements are effected by investors for commercial purposes		
- Leased business properties	<u>5 234 000</u>	
These are properties leased to business owners at market related rentals		
These properties were valued for the first time in 2009 at their fair market value.		
	<b>2 009</b>	<b>2 008</b>
<b>9.3 Rental income from investment property</b>		
Lease of commercial land, residential and business properties	7 129 739	6 642 893

**Details of valuation**

The effective date of the revaluations was 31 January 2009. Revaluations were performed by an independent valuer, Mr KA Boateng, of Messrs Kanyisa Property Management Services. Kanyisa Property Management Services are not connected to the entity and have recent experience in location and category of the investment property being valued.  
The valuation was based on open market value for existing use.

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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	Note	2009 R	2008 R
<b>10 NON-CURRENT ASSETS HELD FOR SALE</b>			
Property, plant and equipment		197 396	209 896
Other assets - Inventory		284 250	292 643
		<b>481 646</b>	<b>502 539</b>
<b>NON-CURRENT LIABILITIES HELD FOR SALE</b>			
Current Liabilities		10 166 232	44 661 363
		<b>10 166 232</b>	<b>44 661 363</b>
<p><i>The Water and Sanitation function was transferred to the district municipality in 2003 in terms of s78 of Systems act. The transfer was not effected accurately in the accounting records as it was not possible to confirm balances until this financial year end. Confirmation has now been received from DWAF on the balance outstanding in their books.</i></p>			
<b>11 EXCHANGE TRANSACTIONS</b>			
Trade creditors		28 646 834	6 206 617
Accruals		10 789 745	8 955 609
Insurance Claims		3 308 658	2 341 718
Other Creditors		4 500	4 500
Unclaimed Group Life Assurance		1 827 363	1 641 331
Payments Received in advance		13 478 190	11 607 654
Unknown deposits		5 491 388	1 871 895
Reversed Stale Cheques		4 458 983	4 460 772
Staff Accrued Leave		12 291 505	13 535 216
<b>Total creditors</b>		<b>80 297 166</b>	<b>50 625 311</b>
<p>The fair value of trade and other payables approximates their carrying amounts.</p>			
<b>12 CONSUMER DEPOSITS</b>			
Electricity		678 396	286 114
<b>Total consumer deposits</b>		<b>678 395</b>	<b>286 114</b>
<p>No interest accrues on consumer deposits as King Sabata Dalindyebo Municipality is not a deposits-taking organisation in terms of the Banking Act.</p>			
<b>13 VAT RECEIVABLE</b>			
VAT receivable		20 631 276	1 491 620
<p>The municipality is registered for VAT on a</p>			



**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**Unspent Conditional Grants from other spheres**

**14.1 of Government**

National: Mqanduli Milling Project Grant	843 895	759 253
National: Department of Housing and Local Government Grant	9 208 873	4 203 182
National: Financial Management Grant	549 590	443 109
National: Municipal Infrastructure Grant	2 604 096	4 095 208
National: Tornado Damage Grant (NER)	1 638 759	3 484 795
Provincial: Department Of Transport Taxi Rank	8 308 789	9 100 000
Provincial: Disaster Management Grant	3 862 650	3 031 389
Provincial: Intervention grant	1 010 046	1 006 701
Provincial: MTAB Grant	3 296 443	3 567 270
Provincial: Mthatha Stadium	21 281 583	117 727
Provincial: Municipal Support Grant (MSP)	555 622	450 625
Provincial: Municipal Systems Improvement Grant	713 306	640 307
Provincial: Fire Station Refurbishment	2 600 000	-
Provincial: Organogram	1 000 000	-
Provincial: Full Maintenance Lease	4 200 000	-
Provincial: Urban Renewal Grant	13 881 659	21 356 348

**Total Unspent Conditional Grants and Receipts**

**75 555 310      52 255 913**

See Note 22 for reconciliation of grants and receipts. These amounts are invested in ring-

**15 BORROWINGS**

Local Registered Stock Loans - PIC Loan	51 201 582	112 868 644
Finance Lease Liability	524 809	393 275
Annuity Loans	8 984 530	9 799 191
	<b>60 710 921</b>	<b>123 061 110</b>
Less : Current portion transferred to current liabilities	(3 774 723)	(112 868 644)
Local Registered Stock Loans	(3 774 723)	-
Annuity Loans	-	(112 868 644)
	<b>56 936 198</b>	<b>10 192 466</b>

**Total borrowings**

Refer to Appendix A for more detail on borrowings.

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**16 FINANCE LEASE LIABILITY**

<b>2009</b>	<b>Minimum lease payment</b>	<b>Future finance charges</b>	<b>Present value of minimum lease payments</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Amounts payable under finance leases</b>			
Within one year	146 502	52 022	94 480
Within two to five years	531 260	100 931	430 329
	<u>677 762</u>	<u>152 953</u>	<u>430 329</u>
Amount due for settlement within 12 months (current portion)			94 480
			<u><u>524 809</u></u>

The average lease term is 5 years and the average effective borrowing rate is prime less 1,5%.  
Obligations under finance leases are secured by the lessor's title to the leased asset.

<b>2008</b>	<b>Minimum lease payment</b>	<b>Future finance charges</b>	<b>Present value of minimum lease payments</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Amounts payable under finance leases</b>			
Within one year	539 478	110 062	429 416
Within two to five years	677 762	152 953	524 809
	<u>1 217 240</u>	<u>263 015</u>	<u>954 225</u>
Amount due for settlement within 12 months (current portion)			-
			<u><u>954 225</u></u>

The average lease term is 5 years and the average effective borrowing rate is prime less 1,5%.  
Obligations under finance leases are secured by the lessor's title to the leased asset.

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**17 PROPERTY RATES**

**Actual**

Residential	25 810 906	32 908 831
Commercial	15 361 553	16 043 341
Light Industries	5 099 365	4 618 876
State	15 217 839	17 766 774
<b>Total property rates</b>	<b>61 489 662</b>	<b>71 337 822</b>

**Valuations**

Residential	1 245 765 585	1 303 326 713
Commercial	692 932 815	594 197 820
Agricultural	2 869 456	2 649 445
State	639 217 130	607 802 725
Exempted properties	35 463 091	33 462 989
Municipal	63 535 707	59 535 502
<b>Total Property Valuations</b>	<b>2 679 783 784</b>	<b>2 600 975 194</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 1999. Interim valuations are processed on an annual basis to take into account changes in

A general rate of 0,0265 c/R, 0,0270 c/R, and 0,0345 c/R is applied during 2008/2009 to property valuations to determine assessment rates for domestic, commercial and state respectively. The general rate of 0,0241 c/R, 0,0270 c/ and 0,0345

date of payment being 30 November 2008 for state and other commercial ratepayers and residential customers are levied on a monthly basis. Interest at prime plus 1% per annum is levied on outstanding rates. No interest was levied in the prior year

**18 SERVICE CHARGES**

Sale of electricity	101 435 374	84 783 754
Refuse removal	14 853 869	13 648 470
<b>Total Service Charges</b>	<b>116 289 243</b>	<b>98 432 224</b>

**19 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities	214 934	148 672
Rental of equipment	734 415	679 965
Rentals - lease on land	732 969	640 035
Rentals of office space	2 231 293	2 205 970
Rental of houses	6 396 770	6 002 858
<b>Total rentals</b>	<b>10 310 380</b>	<b>9 677 501</b>

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**20 INTEREST EARNED - EXTERNAL INVESTMENTS**

Bank	1 686 764	3 644 604
<b>Total interest</b>	<b>1 686 764</b>	<b>3 644 604</b>

**21 INTEREST EARNED - OUTSTANDING RECEIVABLES**

Outstanding Debtors	26 750 361	-
<b>Total interest</b>	<b>26 750 361</b>	<b>-</b>

**22 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED**

<b>Conditional Grants - Spent</b>	<b>144 136 568</b>	<b>40 016 398</b>
National: Municipal Infrastructure Grant	42 230 519	8 092 360
National: Financial Management Grant	500 000	917 903
National: Tornado Damage Grant (NER)	7 284 833	-
National: Department of Housing and Local Government Grant	1 333 595	28 629 273
Provincial: Mthatha Stadium	82 798 832	-
Provincial: Urban Renewal Grant	9 988 789	2 376 862
<b>Operational Grants</b>	<b>98 493 234</b>	<b>78 243 130</b>
General Valuation	1 120 000	-
National: Equitable share	78 924 808	60 055 603
MM Intervention	-	258 000
Municipal Support Programme	735 000	3 020 000
YAC Point Umsobomvu	166 879	-
DEDEA Cleaning project	1 000 000	-
HIV & Aids	60 000	-
Disaster -Local Government Support	892 025	-
Elections infrastructure programme	1 535 500	-
Municipal Community Participation	384 692	-
Nduli Nature Reserve	453 829	-
IDP Grant Fund	110 000	210 000
Other Government Grants and Subsidies - Department of Health	13 110 501	14 699 527
<b>Total Government Grant and Subsidies</b>	<b>242 629 802</b>	<b>118 259 528</b>

**King Sabata Dalindyebo Municipality**  
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**CONDITIONAL GRANTS**

**22.1 National: Municipal Infrastructure Grant**

**Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

**Conditions still to be met - remain liabilities (see note 14)**

4 095 206	104 133
40 739 406	18 003 368
(42 230 519)	(14 012 295)
<b>2 604 093</b>	<b>4 095 206</b>

**22.2 National: Financial Management Grant**

**Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

**Conditions still to be met - remain liabilities (see note 14)**

443 108	(61 358)
606 481	1 504 466
(500 000)	(1 000 000)
<b>549 589</b>	<b>443 108</b>

**22.3 National: National Energy Regulator (NER)**

**Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

**Conditions still to be met - remain liabilities (see note 14)**

3 484 795	535 826
6 800 283	3 481 787
(8 646 294)	(532 817)
<b>1 638 784</b>	<b>3 484 795</b>

**22.4 National- Mqanduli Milling Project Grant**

**Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

**Conditions still to be met - remain liabilities (see note 14)**

759 253	755 049
84 642	4 204
-	-
<b>843 895</b>	<b>759 253</b>

**22.5 National: Department of Housing and Local Government Grant**

**Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

**Conditions still to be met - remain liabilities (see note 14)**

4 203 183	3 322 050
6 339 286	28 483 063
(1 333 595)	(27 601 930)
<b>9 208 873</b>	<b>4 203 183</b>

**22.6 Provincial: Department Of Transport Taxi Rank**

**Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

**Conditions still to be met - remain liabilities (see note 14)**

9 100 000	-
-	9 100 000
(791 211)	-
<b>8 308 789</b>	<b>9 100 000</b>

**22.7 Provincial: Municipal Support Grant (MSP)**

**Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

**Conditions still to be met - remain liabilities (see note 14)**

450 627	1 449 770
854 997	857
(750 000)	(1 000 000)
<b>555 624</b>	<b>450 627</b>

**King Sabata Dalindyebo Municipality**  
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<b>22.8 Provincial: Mthatha Stadium</b>		
Balance unspent at beginning of year	117 727	117 727
Current year receipts	103 962 687	-
Conditions met - transferred to revenue	(82 798 832)	-
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>21 281 583</b>	<b>117 727</b>
<b>22.9 Provincial: Urban Renewal Grant</b>		
Balance unspent at beginning of year	21 356 348	3 191 301
Current year receipts	2 514 100	19 907 047
Conditions met - transferred to revenue	(9 988 789)	(1 742 000)
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>13 881 659</b>	<b>21 356 348</b>
<b>Provincial: Disaster Management Grant</b>		
Balance unspent at beginning of year	3 031 388	4 041 691.00
Current year receipts	1 831 263	17 040
Conditions met - transferred to revenue	(1 000 000)	(1 027 343)
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>3 862 651</b>	<b>3 031 388</b>
<b>22.10 Provincial: Intervention grant</b>		
Balance unspent at beginning of year	1 006 701	2 007 410
Current year receipts	4 045	-
Conditions met - transferred to revenue	(701)	(1 000 709)
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>1 010 045</b>	<b>1 006 701</b>
<b>22.11 Provincial: MTAB Grant</b>		
Balance unspent at beginning of year	3 567 270	3 553 794
Current year receipts	386 471	13 476
Conditions met - transferred to revenue	(657 298)	-
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>3 296 443</b>	<b>3 567 270</b>
<b>22.12 Provincial: Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	640 307	639 086
Current year receipts	73 000	1 221
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>713 306</b>	<b>640 307</b>
<b>22.13 Provincial: Staff Establishment</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>1 000 000</b>	<b>-</b>
<b>22.14 Provincial: Full Maintenance Lease</b>		
Balance unspent at beginning of year	-	-
Current year receipts	4 200 000	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>4 200 000</b>	<b>-</b>
<b>22.15 Provincial: Fire Station Refurbishment</b>		
Balance unspent at beginning of year	-	-
Current year receipts	2 600 000	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (see note 14)</b>	<b>2 600 000</b>	<b>-</b>

**King Sabata Dalindyebo Municipality**  
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**23 OTHER INCOME**

Administration and management fees received	18 373	933
Fees earned	3 690 579	2 125 192
Rental income	6 989	14 630
Call out revenue	26 191	11 556
New connections for electricity	377 344	762 995
Sundry revenue	313 372	540 721
Tender fees	154 300	53 187
Meter testing	434 191	350 104
Other income	-	9 020
Parking meter fees	1 054	9 784
<b>Total Other Income</b>	<b>5 022 393</b>	<b>3 878 122</b>

**24 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	109 200 214	105 100 880
Employee related costs - Contributions for UIF, pensions and medical	31 684 221	28 793 323
Travel, motor car, accommodation, subsistence and other allowances	10 725 107	9 443 802
Housing benefits and allowances	10 364 047	10 030 959
Overtime payments	12 809 607	8 707 140
Performance and other bonuses	189 178	187 456
Long-service awards	2 926 272	2 908 310
Skills development levy	614 910	176 803
<b>Total Employee Related Costs</b>	<b>178 513 556</b>	<b>165 348 675</b>

**Remuneration of the Municipal Manager**

Annual Remuneration	895 000	835 917
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	62 204
Contributions to UIF, Medical and Pension Funds	1 497	1 486
<b>Total</b>	<b>896 497</b>	<b>899 607</b>

**Remuneration of the Chief Finance Officer**

Annual Remuneration	641 250	-
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	47 954	-
Contributions to UIF, Medical and Pension Funds	1 497	-
<b>Total</b>	<b>690 701</b>	<b>-</b>

**King Sabata Dalindyebo Municipality**  
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<b>25 Remuneration of Individual Directors</b>	<b>Technical Services R</b>	<b>Corporate Services R</b>	<b>Community Services R</b>
<b>2009</b>			
Annual Remuneration	505 000	-	-
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and	136 876	-	-
Contributions to UIF, Medical and Pension Funds	1 497	-	-
<b>Total</b>	<b>643 373</b>	<b>-</b>	<b>-</b>
	<b>Technical Services R</b>	<b>Corporate Services R</b>	<b>Community Services R</b>
<b>2008</b>			
Annual Remuneration	282 975	162 068	144 669
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and	4 448	120 907	151 961
Contributions to UIF, Medical and Pension Funds	125	-	-
<b>Total</b>	<b>287 548</b>	<b>282 975</b>	<b>296 630</b>

**25 REMUNERATION OF COUNCILLORS**

Executive Mayor	572 985	514 039
Speaker	366 659	402 562
Executive Committee Members	2 794 835	2 320 604
Councillors	9 102 263	8 545 101
Councillors' pension and medical aid contributions	-	-
Councillors' allowances	-	-
<b>Total Councillors' Remuneration</b>	<b>12 836 742</b>	<b>11 782 306</b>

**In-kind Benefits**

The Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at

The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has



**King Sabata Dalindyebo Municipality**  
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**26 DEPRECIATION AND AMORTISATION EXPENSE**

Property, plant and equipment	26 011 274	26 037 456
Intangible assets	441	-
<b>Total Depreciation and Amortisation</b>	<b>26 011 715</b>	<b>26 037 456</b>

**27 FINANCE COSTS**

Borrowings	954 080	12 705 708
Consumer deposits	95 669	-
Bank overdrafts	17 033	1 077 528
<b>Total Finance Costs</b>	<b>1 066 782</b>	<b>13 783 236</b>

**28 BULK PURCHASES**

Electricity	56 606 806	46 259 306
<b>Total Bulk Purchases</b>	<b>56 606 806</b>	<b>46 259 306</b>

**29 CONTRACTED SERVICES**

Security Services	2 057 987	1 667 872
	<b>2 057 987</b>	<b>1 667 872</b>

**30 GRANTS AND SUBSIDIES PAID**

Grant Exp - Disaster Management Grant	929 027	3 051 121
Grant Exp - Financial Managemt Grant	502 616	917 904
Grant Exp - Municipal Support Programme	975 045	1 729 491
Grant Expenditure - Indigent Data Base Setup	216 371	10 000
Grant expenditure - DEDEA Cleaning project	167 198	334 831
Grant expenditure -Election infrastructure	1 334 000	-
Grant expenditure - MSIG	735 382	799 362
Grant Expenditure - URP	3 825 559	2 376 862
IDP Grant Fund - Expenditure	337 528	297 568
Grant Expenditure - Housing	4 274 132	27 754 462
KSD Contribution - Grant	1 712 771	360 851
Grant expense - Other	214 920	82 911
Public Expense	2 890 387	1 239 352
Free Basic Electricity	4 225 911	814 375
Bursaries	63 474	65 500
	<b>22 404 322</b>	<b>39 834 590</b>

**King Sabata Dalindyebo Municipality**  
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**31 GENERAL EXPENSES**

Included in general expenses are the following:-

Advertising	68 171	167 354
Audit fees	2 660 498	2 998 748
Bank charges	1 039 871	578 379
Cleaning	4 609 342	4 325 651
Community development	1 189 658	1 676 131
Conferences and delegations	513 418	151 459
Consulting fees	2 059 206	913 312
Plastic Bags	1 532 105	928 013
Discount Allowed	353 395	170 336
Entertainment	186 669	83 677
Fuel and oil	1 536 364	1 138 436
Gas and Oxygen	24 625	40 486
Insurance	2 506 531	2 306 756
Legal expenses	6 044 194	4 682 819
Levies paid - SALGA	807 071	525 113
Licence fees	78 490	106 046
Membership fees	-	113
Other Expenses	1 654 412	1 212 579
Printing and stationery	1 020 530	885 226
Promotions and Sponsorship	32 613	109 795
Recruitment Expenses	395 697	299 530
Rental of buildings	377 072	275 392
Rental of office equipment	1 934 333	1 604 993
Rental of Vehicles	622 327	1 884 291
Reversal of Provisions Alien Vegetation	-	(11 485 400)
Municipal Service charges	1 625 629	328 673
Stocks and material	999 493	685 192
Software Expenses	26 904	892
Staff Welfare	32 423	20 678
Subscription & publication	13 436	7 981
Telephone cost	4 595 540	3 289 724
Training	841 506	1 019 528
Travel and subsistence	801 238	391 203
Uniforms & overalls	336 617	535 809
Vehicle Registration Fees	100 872	82 587
Valuation costs	1 974 789	25 173
	<b>42 595 039</b>	<b>21 966 675</b>

**32 GAIN / (LOSS) ON SALE OF ASSETS**

Property, plant and equipment	986 259	1 549 455
<b>Total Gain / (Loss) on Sale of Assets</b>	<b>986 259</b>	<b>1 549 455</b>

**33 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT**

Investment property carried at fair value	-	-
<b>Total Profit / (Loss) on Fair Value Adjustment</b>	<b>-</b>	<b>-</b>

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**34 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	94 175 819	(16 887 094)
Adjustment for:-		
Depreciation and amortisation	26 011 715	26 037 456
(Gain) / loss on sale of assets	986 259	1 549 455
Finance costs	1 066 782	1 823 302
Interest earned	(28 437 126)	(3 644 604)
Debtors adjustments	6 242 982	5 895 622
Bad Debts	31 861 635	-
<b>Operating surplus before working capital changes:</b>	<b>131 908 066</b>	<b>14 774 136</b>
(Increase)/decrease in inventories	(58 926)	638 630
(Increase)/decrease in trade receivables	13 808 451	(1 082 956)
(Increase)/decrease in other receivables	6 275 030	(550 278)
(Increase)/decrease in VAT receivable	(19 139 657)	3 016 649
(Increase)/decrease in non current assets held for sale	(481 646)	
Increase/(decrease) in conditional grants and receipts	23 299 398	32 599 436
Increase/(decrease) in trade payables	29 671 855	(29 987 549)
Increase / (decrease) in non current liabilities held for sale	(34 495 131)	
(Decrease)/ increase in provisions		(19 466 868)
<b>Cash generated by/(utilised in) operations</b>	<b>150 787 441</b>	<b>(58 800)</b>

**34.1 CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT**

Total Revenue	473 401 722	313 955 469
Adjusted for items presented separately		
- Interest received on investments	(1 686 764)	(3 644 604)
- Interest received other	(26 750 361)	-
Adjusted for changes in working capital		
- (Increase) / decrease in consumer debtors	13 808 451	(1 082 956)
- (Increase) / decrease in other debtors	6 275 030	(550 278)
- (Increase) / decrease in VAT receivable	(19 139 657)	3 016 649
	<b>445 908 421</b>	<b>311 694 280</b>

**34.2 CASH PAID TO SUPPLIERS AND EMPLOYEES**

Total expenditure	(379 225 904)	330 842 563
Adjusted for non-cash items		
- Depreciation	26 011 715	(26 037 456)
- Loss on disposal of PPE	986 259	(1 549 455)
- Bad debts	31 861 635	(5 895 622)
- Debtors adjustments	6 242 982	
Adjusted for items presented separately		
- Interest paid	1 066 782	(1 823 302)
Adjusted for changes in working capital		
- (Increase) / decrease in creditors	29 671 855	29 987 549
- (Increase) / decrease in unspent conditional grants	23 299 398	(32 599 436)
- (Increase) / decrease in provisions	-	19 466 868
- (Increase) / decrease in non current liabilities held for sale	(34 495 131)	
- (Increase)/decrease in non current assets held for sale	(481 646)	
- Increase / (decrease) in inventory	(58 926)	(638 630)
	<b>(295 120 980)</b>	<b>311 753 080</b>

**34.3 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	30 761 346	11 603 935
Bank overdrafts	-	(13 788 439)
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>30 761 346</b>	<b>(2 184 504)</b>

**King Sabata Dalindyebo Municipality**  
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**35 CHANGE IN ACCOUNTING POLICY**

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the

**35.1 Provisions**

**Balance previously reported**

Provision for leave pay

13 535 216

Reclassified to Trade and other payables

(13 535 216)

**Total**

-

**35.2 Trade and Other Payables**

**Balance previously reported**

81 751 458

Transferred to Non-current liabilities held for sale

(44 661 363)

Reclassification from provision

13 535 216

**Total**

-

**(31 126 147)**

**35.3 Current Portion of Long-Term Loan**

**Balance previously reported -**

112 868 644

Reclassified as long term portion - PIC loan renegotiated

(112 868 644)

**Total**

-

-

**King Sabata Dalindyebo Municipality**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**36 CORRECTION OF ERROR**

The comparative amount has been restated as follows:

Statement of Financial Performance

Depreciation

Grant spent recognised in revenue

Grant expenditure

Net effect on surplus/(deficit) for the year

-

(16 681 376)

13 093 240

(16 681 376)

Assets

Accumulated Depreciation

-

Liabilities

Non current liabilities held for sale(DWAF)

Creditors

Net effect on Statement of Financial Position

-

34 495 131

696 627

35 191 758

Net effect on Accumulated surplus opening balance

18 510 382

**UNAUTHORISED, IRREGULAR, FRUITLESS  
37 AND WASTEFUL EXPENDITURE DISALLOWED**

**37.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure

Opening balance

Unauthorised expenditure current year

Approved by Council or condoned

Transfer to receivables for recovery

Unauthorised expenditure awaiting authorisation

40 486 363

29 486

40 486 363

(40 486 363)

(29 486)

-

40 486 363

**King Sabata Dalindyebo Municipality**  
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**37.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure

Opening balance -	13 704 829	-
Fruitless and wasteful expenditure current year		13 704 829
Condoned or written off by Council	(13 704 829)	
To be recovered – contingent asset (see note 55)		
Fruitless and wasteful expenditure awaiting condonement	-	<b>13 704 829</b>

The municipality incurred R13,7 million due to interest incurred on external borrowings in which the municipality has defaulted. The municipality has subsequently renegotiated the loan where the

**37.3 Irregular expenditure**

Reconciliation of irregular expenditure

Opening balance	10 100 000	-
Fruitless and wasteful expenditure current year	2 482 746	10 100 000
Condoned or written off by Council	(10 100 000)	
Transfer to receivables for recovery – not condoned	-	
Irregular expenditure awaiting condonement	<b>2 482 746</b>	<b>10 100 000</b>

The irregular expenditure relates to procurement of goods and services that were not in terms of the

**King Sabata Dalindyebo Municipality**  
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**ADDITIONAL DISCLOSURES IN TERMS OF  
38 MUNICIPAL FINANCE MANAGEMENT ACT**

**38.1 Contributions to organised local government**

Opening balance		
Council subscriptions	840 463	587 520
Amount paid - current	(840 463)	(587 520)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**38.2 Audit fees**

Opening balance		
Current year audit fee	3 003 332	2 998 748
Amount paid - current year	(3 003 332)	(2 998 748)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<b>0</b>	<b>-</b>

**38.3 PAYE and UIF**

Opening balance		
Current year payroll deductions	20 669 894	19 751 113
Amount paid - current year	(20 669 894)	(19 751 113)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**38.4 Pension and Medical Aid Deductions**

Opening balance		
Current year payroll deductions and Council Contributions	43 412 047	29 564 359
Amount paid - current year	(43 412 047)	(29 564 359)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**King Sabata Dalindyebo Municipality**  
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**38.5 Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

**as at 30 June 2009**

Councillor Mlandu S.N.
Councillor Soldati F.N.
Councillor Pierce
Councillor Ngqongwa
Councillor Ngcobo F.R.S.
Councillor Lumkwana A.L.
Councillor Sangovana E.
Councillor Gwadiso J.P.
Councillor Mantanga P.N.
<b>Total Councillor Arrear Consumer Accounts</b>

<b>Total</b>	<b>Outstanding less than 90</b>	<b>Outstanding more than 90</b>
<b>R</b>	<b>R</b>	<b>R</b>
3 576	366	3 210
22 448	342	22 107
6 348	568	5 780
3 327	37	3 289
5 750	2 892	2 858
117	117	-
2 268	26	2 243
1 615	544	1 071
8 261	421	7 840
<b>53 710</b>	<b>5 313</b>	<b>48 398</b>

**as at 30 June 2008**

Councillor Ngcobo F.R.S.
Councillor Bodlani B.S.
Councillor Mlandu S.N.
Councillor Soldati F.N.
Councillor Lumkwana A.L.
Councillor Sangovana E.
Councillor Gwadiso J.P.
Councillor Mantanga P.N.
<b>Total Councillor Arrear Consumer Accounts</b>

18 216	2 599	15 617
969	485	485
599	300	300
19 810	311	19 500
22 105	653	21 452
5 361	15	5 346
1 717	258	1 459
4 099	302	3 798
<b>72 876</b>	<b>4 923</b>	<b>67 957</b>

**39 CAPITAL COMMITMENTS**

**39.1 Commitments in respect of capital expenditure**

**- Approved and contracted for**

Infrastructure  
Community

<b>55 284 997</b>	<b>38 872 464</b>
10 912 882	13 195 206
44 372 115	25 677 258

**- Approved but not yet contracted for**

Infrastructure  
Community  
Other

<b>195 522 000</b>	<b>247 983 000</b>
50 647 000	117 781 000
143 061 000	129 611 000
1 814 000	591 000

**Total**

<b>250 806 997</b>	<b>286 855 464</b>
--------------------	--------------------

This expenditure will be financed from:

- Government Grants  
- Own resources

193 374 000	246 722 000
2 148 000	1 261 000
<b>195 522 000</b>	<b>247 983 000</b>



**King Sabata Dalindyebo Municipality**  
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**40 RETIREMENT BENEFIT INFORMATION**

**40.1 Defined benefit and defined contribution plans**

Most councilors and employees belong to 2 defined benefit funds and 4 defined contribution funds administered by Provincial and National Pension Funds. These funds are subject to a triennial actuarial valuation. The last valuation was performed in June 2005 and interim valuations were performed between 2005 and 2006. These valuations indicate that the funds are in a sound financial position. Based on the confirmations received from the fund managers, the estimated liability of the funds is R 19.5 million which is adequately financed by assets of R 178,8 million.

An amount of R14.2 million (2008 : R13.6 million) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included

**41 CONTINGENT LIABILITY**

The Council envisage the following potential liabilities in the form of various litigation and

- Land claim cases pending in court:	5 200 000	6 700 000
- Loss claim - Construction company	3 500 000	3 500 000
- Defamation claim	-	250 000
- Settlement claim	-	500 000
- Difference in grade claim	-	500 000
- Disciplinary cases	-	1 500 000
- Split meter removal	-	100 000
- Accident claim	1 000 000	
	<b>9 700 000</b>	<b>13 050 000</b>

The municipality is currently defending all these cases

Some of the cases are in their final stages and rulings may be made in the next few months  
At this stage the probability of being liable for these claims is remote, pending the outcome of the court rulings. The impact is in the delay of the progress of

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**40 IN-KIND DONATIONS AND ASSISTANCE**

The Municipality received the following in-kind donations and assistance

**Description**

Services of two officials from the National Treasury, who were made available to KSD for providing

DBSA Siyenza Manje programme - 4 Senior

**41 RELATED PARTIES**

Members of key management

Close family member of key management

Compensation to councillors and other key management (refer to note 24)

**Related party balances**

Loan accounts - Owing (to) by related parties

There are currently no loans made to related parties

Amounts included in Trade receivable (Trade payable) regarding related parties

Refer to note 38 on councillor's arrear consumer accounts

**Related party transactions**

There were no related party transactions identified in the current year under review

**42 EVENTS AFTER THE REPORTING DATE**

The municipality's current bankers - Meeg Bank were officially changed to ABSA bank



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	<b>Not later than one month</b>	<b>Later than one month and not later than three months</b>
<b>43.2 2008</b>		
Gross finance lease obligations	48 208	96 416
Borrowings	-	941 748
Trade and other payables		
Other		

	<b>Later than three months and not later than one year</b>	<b>Later than one year and not later than five years</b>
<b>2008</b>		
Gross finance lease obligations	395 864	388 648
Borrowings	5 193 968	54 391 054
Trade and other payables		
Other		

**43.3 Interest rate risk**

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the

At year end, financial instruments exposed to

- Call deposits	66 115 029	48 136 421
- Notice deposits	27 382 504	24 981 869
- PIC Loan	51 201 582	112 868 644
- Development Bank of South Africa loan	8 984 530	9 799 191
- Meeg/ABSA overdraft	-	-13 788 439

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**43.4 Other price risk**

The municipality is subject to changes in electricity prices

**44 RESTATEMENT OF COMPARATIVE INFORMATION**

reclassified as accruals. The effect of the restatement is summarised below:

**Statement of Financial Position:**

Provisions	13 535 216
Accruals - leave	(13 535 216)
	<u>-</u>

**45 COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out

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**ANALYSIS OF EXTERNAL LOANS**  
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EXTERNAL LOANS		Loan number	Redeemable Date	Balance at 30 June 2008	Received during the period	Redeemed / written off during the period	Balance at 30 June 2009
				R	R	R	R
LONG-TERM LOANS							
PIC @ 14.5%		UA01B		10 000 000			-
PIC @ 10.3%		UA01C		-			-
PIC @ 18%		UA01D		2 500 000			-
PIC @ 14%		UA01E		-			-
PIC @ 15%		UA01F		1 300 000			-
PIC @ 13.4%		UA01G		13 180 600			-
PIC @ 15.75%		UA45		10 000 000			-
Interest accrued capitalised/Write off				75 888 045		(57 768 645)	-
<b>Total</b>				112 868 645	-	(57 768 645)	55 100 000
<b>PIC restructured loan agreement</b>			31 Dec 2018	-	55 100 000	(3 898 418)	51 201 582
No cash inflow							
<b>Total PIC loan at 30 June 2009</b>					55 100 000	(3 898 418)	51 201 582
<b>ANNUITY LOAN</b>							
DBSA		13335/201		9 799 191		814 661	8 984 530
				<b>9 799 191</b>	-	<b>814 661</b>	<b>8 984 530</b>
<b>TOTAL EXTERNAL LOANS</b>				122 667 836	-	(56 953 984)	64 084 530

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Details	Interest	Loan	Redeemable	Balance at	Received	Redeemed /	Balance at
	Rate	Number		30/06/2008	during the Period	Write Off during Period	30/06/2009
<b>LEASE LIABILITIES</b>							
MEEG	Prime	3008704699		-			-
MEEG		3006815915		-			-
MEEG		3004907655		-			-
MEEG	Prime+ 0.35%	3012250260		29 208		29 208	-
MEEG	Prime+ 0.35%	3012250309		29 208		29 208	-
MEEG	Prime+ 0.35%	3012250317		29 208		29 208	-
MEEG	Prime+ 0.3%	3011921943		32 709		32 709	-0
MEEG	Prime+ 0.35%	3011921977		29 208		29 208	-
MEEG	Prime+ 0.3%	3011922004		32 709		32 709	-0
MEEG	Prime-1%	3011547329		-		-	-
MEEG	Prime-1%	3011547345		43 686		43 686	-0
MEEG	Prime-1%	3011777974		-		-	-
MEEG	Prime - 1.5%	3012472131		52 972		48 615	4 357
MEEG	Prime -1.05%	3012472199		57 084		48 376	8 709
MEEG	Prime - 1.05%	3012472220		57 281		48 535	8 747
MEEG		3025908323			560 950	57 922	503 028
				393 275	560 950	429 385	524 840

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	Cost / Revaluation					Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land</b>												
Land	57 611 024	-	-	-	57 611 024	-	-	-	-	-	(4 733 103)	52 877 921
	57 611 024	-	-	-	57 611 024	-	-	-	-	-	(4 733 103)	52 877 921
<b>Buildings</b>												
Worshops & Depots	1 300 000	-	-	-	1 300 000	(390 000)	(43 333)	-	-	(433 333)	-	866 667
Vehicle Testing Station	4 536 723	-	-	-	4 536 723	(3 520 382)	(874 223)	-	-	(4 394 605)	-	142 118
Housing schemes	13 927 566	-	-	-	13 927 566	(3 757 175)	(464 251)	-	-	(4 221 426)	(3 024 000)	6 682 140
	19 764 289	-	-	-	19 764 289	(7 667 557)	(1 381 807)	-	-	(9 049 364)	(3 024 000)	7 690 925
<b>Infrastructure</b>												
Bridges, Subways	82 400	-	-	-	82 400	(6 409)	(2 747)	-	-	(9 156)	-	73 244
Bus Terminals	115 000	-	-	-	115 000	(34 500)	(3 833)	-	-	(38 333)	-	76 667
Car Parks	10 488	-	-	-	10 488	(1 515)	(37 516)	-	-	(39 031)	-	(28 543)
Electricity: Cable	31 431 838	-	-	-	31 431 838	(1 271 977)	-	-	-	(1 271 977)	-	30 159 861
Electricity: Suppl	169 910 939	5 355 002	-	-	175 265 941	(32 764 282)	(9 721 630)	-	-	(42 485 912)	-	132 780 029
Electricity: Meter	8 058 621	-	-	-	8 058 621	(3 025 422)	-	-	-	(3 025 422)	-	5 033 199
Fencing	29 828	-	-	-	29 828	(29 767)	-	-	-	(29 767)	-	61
Footways	378 937	-	-	-	378 937	(63 823)	(30 513)	-	-	(94 336)	-	284 601
Paving	157 532	-	-	-	157 532	-	-	-	-	-	-	157 532
Public Works	3 858 000	-	-	-	3 858 000	(1 157 400)	(128 600)	-	-	(1 286 000)	-	2 572 000
Roads	148 778 365	-	-	37 937 071	186 715 436	(34 460 714)	(12 302 054)	-	-	(46 762 767)	-	139 952 668
Sewers	144 503	-	-	-	144 503	(21 675)	(7 225)	-	-	(28 900)	-	115 603
Stormwater	250 000	-	-	-	250 000	(40 104)	(12 500)	-	-	(52 604)	-	197 396
Street Lighting	1 174 370	-	-	-	1 174 370	(152 768)	(54 432)	-	-	(207 200)	-	967 170
Taxiways	3 499 914	-	-	791 211	4 291 125	(737 019)	(174 545)	-	-	(911 564)	-	3 379 561
	367 880 735	5 355 002	-	38 728 282	411 964 019	(73 767 374)	(22 475 595)	-	-	(96 242 968)	-	315 721 050
<b>Community Assets</b>												
Clinics and hospitals	3 150 766	-	-	2 644 254	5 795 020	(931 432)	(105 025)	-	-	(1 036 457)	-	4 758 563
Community centres Fire stations	15 245 649	-	-	-	15 245 649	(4 089 025)	(508 188)	-	-	(4 597 213)	-	10 648 436
Fire Stations	3 606 333	-	-	-	3 606 333	(768 023)	(120 211)	-	-	(888 234)	-	2 718 099
Libraries	1 498 065	-	-	-	1 498 065	(365 357)	(49 935)	-	-	(415 292)	-	1 082 773
Office buildings	32 085 606	-	-	-	32 085 606	(7 311 953)	(5 409)	-	-	(7 317 362)	-	24 768 244
Outdoor sports facilities	321 676	-	-	-	321 676	(96 503)	(16 084)	-	-	(112 587)	-	209 089
Parks	1 115 000	-	-	-	1 115 000	(334 500)	-	-	-	(334 500)	-	780 500
Public conveniences/ Bathrooms	56 000	-	-	-	56 000	(16 800)	(1 867)	-	-	(18 667)	-	37 333
Stadiums	9 874 847	-	-	73 811 948	83 686 795	(2 082 779)	(243 040)	-	-	(2 325 819)	-	81 360 976
Swimming pools	2 752 667	-	-	-	2 752 667	(793 959)	(91 756)	-	-	(885 715)	-	1 866 952
	69 706 609	-	-	76 456 202	146 162 811	(16 790 331)	(1 141 515)	-	-	(17 931 846)	-	128 230 965
<b>Total carried forward</b>	514 962 657	5 355 002	-	115 184 484	635 502 143	(98 225 262)	(24 998 916)	-	-	(123 224 178)	(7 757 103)	504 520 862



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	Cost / Revaluation					Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Total brought forward</b>	514 962 657	5 355 002	-	115 184 484	635 502 143	(98 225 262)	(24 998 916)	-	-	(123 224 178)	(7 757 103)	504 520 862
<b>Other Assets</b>												
Air conditioners	214 516	28 899	(136 904)	-	106 511	(214 180)	(2 377)	136 649	-	(79 908)	-	26 603
Computer hardware	3 942 812	274 517	(3 118 659)	-	1 098 670	(3 075 108)	(121 754)	2 522 264	-	(674 598)	-	424 072
Computer software	396 636	13 029	(396 636)	-	13 029	(396 494)	(441)	396 494	-	(441)	-	12 588
Equipment: ambulance and medical	215 482	-	-	-	215 482	(194 521)	-	-	-	(194 521)	-	20 961
Equipment: fire	56 299	-	-	-	56 299	(56 238)	-	-	-	(56 238)	-	61
Equipment: Laboratories	30 720	-	-	-	30 720	(30 706)	-	-	-	(30 706)	-	14
Equipment : Lawnmowers	476 878	-	-	-	476 878	(476 732)	-	-	-	(476 732)	-	146
Equipment: Other	2 259 668	44 811	(2 618 521)	-	(314 042)	(1 987 801)	(114 352)	2 449 968	-	347 815	-	33 773
Equipment : radio	55 092	-	-	-	55 092	(55 051)	-	-	-	(55 051)	-	41
Equipment: telecommunications	153 459	-	-	-	153 459	(153 354)	-	-	-	(153 354)	-	105
Furniture: cabinets and cupboard	810 044	63 033	(540 713)	-	332 364	(797 262)	(31 431)	528 478	-	(300 215)	-	32 149
Furniture: chairs	804 806	21 006	(575 882)	-	249 930	(801 165)	-	573 562	-	(227 603)	-	22 327
Furniture: other	378 640	3 150	(368 950)	-	12 840	(241 365)	(488)	231 698	-	(10 155)	-	2 685
Furniture: tables and desks	863 080	93 775	(567 510)	-	389 345	(853 038)	-	557 763	-	(295 275)	-	94 070
Household refuse bins	220 752	-	(122 164)	-	98 588	(127 391)	(19 621)	71 321	-	(75 691)	-	22 897
Office machines	384 129	25 921	(336 746)	-	73 304	(355 357)	(4 473)	308 003	-	(51 827)	-	21 477
Tip sites	900 207	-	(28 546)	-	871 661	(226 183)	-	7 057	-	(219 126)	-	652 535
Vehicles: fire	2 625 451	-	-	-	2 625 451	(813 107)	(160 457)	-	-	(973 564)	-	1 651 887
Vehicles: graders	362 520	-	-	-	362 520	(277 932)	(36 252)	-	-	(314 184)	-	48 336
Vehicles: lawnmowers	297 840	-	-	-	297 840	(164 831)	(59 567)	-	-	(224 398)	-	73 442
Vehicles: motorcars	1 269 050	-	(36 500)	-	1 232 550	(990 446)	(167 540)	36 496	-	(1 121 490)	-	111 060
Vehicles: plant	444 400	-	(93 400)	-	351 000	(444 382)	-	93 387	-	(350 995)	-	5
Vehicles: tractors	169 000	-	-	-	169 000	(136 161)	-	-	-	(136 161)	-	32 839
Vehicles: trucks and bakkies	9 662 998	231 338	(301 850)	-	9 592 486	(9 172 723)	(294 046)	293 582	-	(9 173 187)	-	419 299
Other	439 359	-	-	-	439 359	(168 652)	-	-	-	(168 652)	-	270 707
	27 433 838	799 481	(9 242 981)	-	18 990 338	(22 210 180)	(1 012 799)	8 206 722	-	(15 016 257)	-	3 974 081
<b>Finance Lease Assets</b>												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	560 950	-	-	560 950	-	-	-	-	-	-	560 950
	-	560 950	-	-	560 950	-	-	-	-	-	-	560 950
<b>Total</b>	<b>542 396 495</b>	<b>6 715 433</b>	<b>(9 242 981)</b>	<b>115 184 484</b>	<b>655 053 431</b>	<b>(120 435 442)</b>	<b>(26 011 715)</b>	<b>8 206 722</b>	<b>-</b>	<b>(138 240 435)</b>	<b>(7 757 103)</b>	<b>509 055 893</b>

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	Cost / Revaluation					Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land</b>												
Land	24 331 234	33 299 790	(20 000)	-	57 611 024	-	-	-	-	-	(4 733 103)	52 877 921
	24 331 234	33 299 790	(20 000)	-	57 611 024	-	-	-	-	-	(4 733 103)	52 877 921
<b>Buildings</b>												
Workshops & Depots	1 300 000	-	-	-	1 300 000	(346 667)	(43 333)	-	-	(390 000)	-	910 000
Vehicle Testing Station	4 536 723	-	-	-	4 536 723	(2 646 155)	(874 227)	-	-	(3 520 382)	-	1 016 341
Housing schemes	16 841 133	-	(2 913 567)	-	13 927 566	(3 930 959)	(556 202)	729 986	-	(3 757 175)	(3 024 000)	7 146 391
	22 677 856	-	(2 913 567)	-	19 764 289	(6 923 781)	(1 473 762)	729 986	-	(7 667 557)	(3 024 000)	9 072 732
<b>Infrastructure</b>												
Bridges, Subways	82 400	-	-	-	82 400	(3 662)	(2 747)	-	-	(6 409)	-	75 991
Bus Terminals	115 000	-	-	-	115 000	(30 667)	(3 833)	-	-	(34 500)	-	80 500
Car Parks	10 488	-	-	-	10 488	(1 165)	(350)	-	-	(1 515)	-	8 973
Electricity: Cable	22 259 129	9 172 709	-	-	31 431 838	(15 353)	(1 256 624)	-	-	(1 271 977)	-	30 159 861
Electricity: Suppl	169 910 939	-	-	-	169 910 939	(24 506 487)	(8 257 795)	-	-	(32 764 282)	-	137 146 657
Electricity: Meter	7 959 036	99 585	-	-	8 058 621	(2 259 313)	(766 109)	-	-	(3 025 422)	-	5 033 199
Fencing	2 716	27 112	-	-	29 828	(2 677)	(27 090)	-	-	(29 767)	-	61
Footways	378 937	-	-	-	378 937	(30 684)	(33 139)	-	-	(63 823)	-	315 114
Paving	157 532	-	-	-	157 532	-	-	-	-	-	-	157 532
Public Works	3 858 000	-	-	-	3 858 000	(1 028 800)	(128 600)	-	-	(1 157 400)	-	2 700 600
Roads	130 128 175	18 650 190	-	-	148 778 365	(22 595 186)	(11 865 528)	-	-	(34 460 714)	-	114 317 651
Sewers	144 503	-	-	-	144 503	(14 450)	(7 225)	-	-	(21 675)	-	122 828
Stormwater	250 000	-	-	-	250 000	(27 604)	(12 500)	-	-	(40 104)	-	209 896
Street Lighting	1 174 370	-	-	-	1 174 370	(98 336)	(54 432)	-	-	(152 768)	-	1 021 602
Taxiways	3 499 914	-	-	-	3 499 914	(541 532)	(195 487)	-	-	(737 019)	-	2 762 895
	339 931 139	27 949 596	-	-	367 880 735	(51 155 916)	(22 611 458)	-	-	(73 767 374)	-	294 113 361
<b>Community Assets</b>												
Clinics and hospitals	3 150 766	-	-	-	3 150 766	(825 749)	(105 683)	-	-	(931 432)	-	2 219 334
Community centres Fire stations	15 245 649	-	-	-	15 245 649	(3 579 077)	(509 948)	-	-	(4 089 025)	-	11 156 624
Fire Stations	3 606 333	-	-	-	3 606 333	(647 812)	(120 211)	-	-	(768 023)	-	2 838 310
Libraries	1 498 065	-	-	-	1 498 065	(311 545)	(53 812)	-	-	(365 357)	-	1 132 708
Office buildings	32 085 606	-	-	-	32 085 606	(6 132 631)	(1 179 322)	-	-	(7 311 953)	-	24 773 653
Outdoor sports facilities	321 676	-	-	-	321 676	(80 419)	(16 084)	-	-	(96 503)	-	225 173
Parks	1 115 000	-	-	-	1 115 000	(297 333)	(37 167)	-	-	(334 500)	-	780 500
Public conveniences/ Bathrooms	56 000	-	-	-	56 000	(14 933)	(1 867)	-	-	(16 800)	-	39 200
Stadiums	9 613 256	261 591	-	-	9 874 847	(1 833 200)	(249 579)	-	-	(2 082 779)	-	7 792 068
Swimming pools	2 752 667	-	-	-	2 752 667	(702 203)	(91 756)	-	-	(793 959)	-	1 958 708
	69 445 018	261 591	-	-	69 706 609	(14 424 902)	(2 365 429)	-	-	(16 790 331)	-	52 916 278
<b>Total carried forward</b>	<b>456 385 247</b>	<b>61 510 977</b>	<b>(2 933 567)</b>	<b>-</b>	<b>514 962 657</b>	<b>(72 504 599)</b>	<b>(26 450 649)</b>	<b>729 986</b>	<b>-</b>	<b>(98 225 262)</b>	<b>(7 757 103)</b>	<b>408 980 292</b>

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	Cost / Revaluation					Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Total brought forward</b>	456 385 247	61 510 977	(2 933 567)	-	514 962 657	(72 504 599)	(26 450 649)	729 986	-	(98 225 262)	(7 757 103)	408 980 292
<b>Other Assets</b>												
Air conditioners	214 516	-	-	-	214 516	(214 180)	-	-	-	(214 180)	-	336
Computer hardware	3 498 582	444 230	-	-	3 942 812	(2 605 884)	(469 224)	-	-	(3 075 108)	-	867 704
Computer software	396 636	-	-	-	396 636	(396 494)	-	-	-	(396 494)	-	142
Equipment: ambulance and medical	215 482	-	-	-	215 482	(185 287)	(9 234)	-	-	(194 521)	-	20 961
Equipment: fire	56 299	-	-	-	56 299	(56 238)	-	-	-	(56 238)	-	61
Equipment: Laboratories	30 720	-	-	-	30 720	(30 706)	-	-	-	(30 706)	-	14
Equipment : Lawnmowers	476 878	-	-	-	476 878	(469 775)	(6 957)	-	-	(476 732)	-	146
Equipment: Other	2 223 891	35 777	-	-	2 259 668	(1 746 312)	(241 489)	-	-	(1 987 801)	-	271 867
Equipment : radio	55 092	-	-	-	55 092	(55 051)	-	-	-	(55 051)	-	41
Equipment: telecommunications	153 459	-	-	-	153 459	(153 354)	-	-	-	(153 354)	-	105
Furniture: cabinets and cupboard	795 680	14 364	-	-	810 044	(775 571)	(21 691)	-	-	(797 262)	-	12 782
Furniture: chairs	794 504	10 302	-	-	804 806	(790 867)	(10 298)	-	-	(801 165)	-	3 641
Furniture: other	256 516	122 124	-	-	378 640	(195 932)	(45 433)	-	-	(241 365)	-	137 275
Furniture: tables and desks	853 810	9 270	-	-	863 080	(840 150)	(12 888)	-	-	(853 038)	-	10 042
Household refuse bins	220 752	-	-	-	220 752	(83 858)	(43 533)	-	-	(127 391)	-	93 361
Office machines	372 225	11 904	-	-	384 129	(296 857)	(58 500)	-	-	(355 357)	-	28 772
Tip sites	900 207	-	-	-	900 207	(196 176)	(30 007)	-	-	(226 183)	-	674 024
Vehicles: fire	2 625 451	-	-	-	2 625 451	(652 649)	(160 458)	-	-	(813 107)	-	1 812 344
Vehicles: graders	362 520	-	-	-	362 520	(241 680)	(36 252)	-	-	(277 932)	-	84 588
Vehicles: lawnmowers	297 840	-	-	-	297 840	(105 263)	(59 568)	-	-	(164 831)	-	133 009
Vehicles: motorcars	1 269 050	-	-	-	1 269 050	(788 541)	(201 905)	-	-	(990 446)	-	278 604
Vehicles: plant	444 400	-	-	-	444 400	(444 382)	-	-	-	(444 382)	-	18
Vehicles: tractors	169 000	-	-	-	169 000	(119 731)	(16 430)	-	-	(136 161)	-	32 839
Vehicles: trucks and bakkies	9 662 998	-	-	-	9 662 998	(8 685 449)	(487 274)	-	-	(9 172 723)	-	490 275
	104 798	334 561	-	-	439 359	(104 793)	(63 859)	-	-	(168 652)	-	270 707
	26 451 306	982 532	-	-	27 433 838	(20 235 180)	(1 975 000)	-	-	(22 210 180)	-	5 223 658
<b>Finance Lease Assets</b>												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>482 836 553</b>	<b>62 493 509</b>	<b>(2 933 567)</b>	<b>-</b>	<b>542 396 495</b>	<b>(92 739 779)</b>	<b>(28 425 649)</b>	<b>729 986</b>	<b>-</b>	<b>(120 435 442)</b>	<b>(7 757 103)</b>	<b>414 203 950</b>

**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**APPENDIX B**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
for the year ended 30 June 2008

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Executive & Council	676 061	629 957	-	(565 984)	740 034	675 339	8 070	(565 389)	118 020	622 014
Finance & Admin	888 158	293 306	-	(319 236)	862 228	887 015	35 494	(318 804)	603 705	258 523
Planning & Development	260 709	200 524	76 456 202	(233 936)	76 683 499	260 441	31 175	(233 707)	57 909	76 625 590
Community & Social Services	818 151	12 961	-	(669 787)	161 325	816 535	2 250	(668 682)	150 103	11 222
Public Safety	432 282	-	-	(400 545)	31 737	431 327	-	(399 669)	31 658	79
Corporate Services	953 774	117 207	-	(644 147)	426 834	952 136	7 186	(643 297)	316 025	110 809
Infrastructure	442 722 317	5 461 478	38 728 282	(5 684 233)	481 227 844	97 120 417	24 728 882	(4 681 847)	117 167 452	364 060 392
Other	95 645 043	-	-	(725 113)	94 919 930	19 292 232	1 198 658	(695 327)	19 795 563	75 124 367
<b>Total</b>	<b>542 396 495</b>	<b>6 715 433</b>	<b>115 184 484</b>	<b>(9 242 981)</b>	<b>655 053 431</b>	<b>120 435 442</b>	<b>26 011 715</b>	<b>(8 206 722)</b>	<b>138 240 435</b>	<b>516 812 996</b>

**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**APPENDIX D**  
**SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2009

2008	2008	2008	
Actual Income	Actual Expenditure	Surplus / (Deficit)	
R	R	R	
258 000	21 856 542	(21 598 542)	Executive & Council
175 645 491	116 314 060	59 331 431	Finance & Admin
3 386 765	12 994 337	(9 607 572)	Planning & Development
12 360 357	16 088 483	(3 728 126)	Health
413 400	9 128 566	(8 715 166)	Community & Social Services
-	833 867	(833 867)	Housing
5 802 451	37 934 169	(32 131 718)	Public Safety
16 594	961 425	(944 831)	Sport & Recreation
14 263 544	29 416 777	(15 153 233)	Waste Management
15 767 905	21 151 046	(5 383 141)	Road Transport
-	-	-	Water
86 040 962	64 163 291	21 877 671	Electricity
		-	Other
<b>313 955 469</b>	<b>330 842 563</b>	<b>(16 887 094)</b>	
<b>313 955 469</b>	<b>330 842 563</b>	<b>(16 887 094)</b>	Less: Inter-Department Charges
			Total

2009	2009	2009	
Actual Income	Actual Expenditure	Surplus / (Deficit)	
R	R	R	
1 535 500	25 715 466	(24 179 966)	
156 318 280	6 891 633	149 426 647	
1 850 400	11 886 912	(10 036 512)	
13 110 501	22 980 561	(9 870 060)	
557 428	13 796 071	(13 238 643)	
30 140 100	17 796 766	12 343 334	
12 121 345	47 538 901	(35 417 556)	
73 811 948	73 811 948	-	
17 629 474	34 308 832	(16 679 358)	
38 091 371	41 092 006	(3 000 635)	
-	-	-	
101 435 374	56 606 806	44 828 568	
		-	
<b>446 601 721</b>	<b>352 425 902</b>	<b>94 175 819</b>	
<b>446 601 721</b>	<b>352 425 902</b>	<b>94 175 819</b>	

**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**APPENDIX F**  
**DISCLOSURE OF GRANTS AND SUBSIDIES**  
for the year ended 30 June 2009

	2009 Actual R	2009 Budget R	2009 Variance R	2009 Variance %	Explanations of significant variances greater than 10% versus budget
<b>REVENUE</b>					
Property rates	61 489 662	76 280 000	-14 790 338	-19	
Service charges	116 289 243	130 843 000	-14 553 757	-11	Decrease in electricity revenue
Rental of facilities and equipment	10 310 380	10 120 000	190 380	2	
Interest earned – external investments	1 686 764	3 110 000	-1 423 236	-46	Interest included in unspent conditional grants
Interest earned – outstanding debtors	26 750 361	700 000	26 050 361	3 721	Interest on outstanding debt raised for the first time
Fines	1 228 919	1 535 000	-306 081	-20	
Licensing & permits	7 994 196	5 793 000	2 201 196	38	
Government grants & subsidies	242 629 802	117 942 000	124 687 802	106	Capital grant spent - Major Stadium and MIG
Other revenue	5 022 393	2 498 000	2 524 393	101	
<b>Total Revenue</b>	<b>473 401 722</b>	<b>348 821 000</b>	<b>124 580 722</b>	<b>36</b>	
<b>EXPENDITURE</b>					
Employee related costs	165 676 814	167 195 000	-1 518 186	-1	
Remuneration of councillors	12 836 742	13 611 000	-774 258	-6	
Bad debts	31 861 635	10 000 000	21 861 635	219	Provision for indigent debtors raised
Billing adjustments	6 242 982	-	6 242 982	100	Correction of billing errors
Depreciation	26 011 715	26 000 000	11 715	0	
Repairs & maintenance	10 878 820	10 241 000	637 820	6	
Finance costs	1 066 782	1 562 000	-495 218	-32	EFT payment system introduced - reduction in bank charges
Bulk purchases	56 606 806	61 000 000	-4 393 194	-7	Decrease in demand - high tariffs
Grants & subsidies paid	22 404 322	-	22 404 322	100	Grant exp included as general exp in budget
Contracted services	2 057 987	2 251 000	-193 013	-9	
General expenses	42 595 039	73 682 000	-31 086 961	-42	Grant exp included as general exp in budget
Loss/(Gain) on disposal of assets	986 259	-500 000	1 486 259		
<b>Total Expenditure</b>	<b>379 225 904</b>	<b>365 042 000</b>	<b>12 697 645</b>	<b>3</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>94 175 819</b>	<b>-16 221 000</b>	<b>111 883 077</b>		

**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**APPENDIX F**  
**DISCLOSURE OF GRANTS AND SUBSIDIES**  
for the year ended 30 June 2009

**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Name of Grants		Quarterly receipts					Quarterly Expenditure for the Year				
		Sep	Dec	March	June	Total	Sep	Dec	March	June	Total
Equitable Share	DPLG	24 739 070	18 554 303	35 631 435		78 924 808	24 739 070	18 554 303		35 631 435	78 924 808
Management	NT				500 000	500 000	500 000				500 000
MIG Grants	DPLG	11 700 000		9 890 000	19 663 617	41 253 617	2 685 336	8 183 165	16 136 184	15 225 834	42 230 519
2010 Stadium	DSR	100 000 000				100 000 000	21 560 523	50 099 327	7 799 742	3 339 240	82 798 832
INEP	NER			6 800 000		6 800 000		5 438 539	1 846 294		7 284 833
Fleet Management	PROV.			4 200 000		4 200 000					-
Local Gov.	PROV.	3 837 542	2 104 788		396 956	6 339 286	2 351 088	2 273 858	2 414 105	2 164 421	9 203 472
Urban Renewal		1 425 000				1 425 000			454 965		454 965
Staff				1 000 000		1 000 000					-
Economic Affairs			1 000 000			1 000 000					-
Refurbishment					2 600 000	2 600 000					-
DOT Taxi Rank		9 100 000				9 100 000			791 211		791 211
Reserve				453 829		453 829					-
Comm.				384 692		384 692					-
infrastructure				1 535 500		1 535 500				1 535 500	1 535 500
IDP Grant				110 000		110 000				110 000	110 000
		150 801 612	21 659 091	58 359 956	23 160 572	253 981 231	51 836 016	84 549 193	29 442 501	56 360 930	223 834 140

**King Sabata Dalindyebo Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
**APPENDIX F**  
**DISCLOSURE OF GRANTS AND SUBSIDIES**  
for the year ended 30 June 2009

**4.2 Budget to actual comparison**

	2009 Actual	2009 Budget	2009 Variance	2009 Var	Explanations of significant variances greater than 10% versus budget
	R'000	R'000	R'000	%	
<b>REVENUE</b>					
Property rates	74 890	76 280	-1 390	-2	Corrections on billings
Service charges	116 289	130 843	-14 554	-11	Decrease in electricity revenue
Rental of facilities and equipment	10 310	10 120	190	2	Demand exceeded expectation
Interest earned – external	1 687	3 110	-1 423	-46	Interest included in unspent conditional
Interest earned – outstanding debtors	13 350	700	12 650	1 807	Interest on outstanding debt raised for the first time
Fines	1 229	1 535	-306	-20	Equipment shortage and manpower
Licensing & permits	7 994	5 793	2 201	38	Demand exceeded expectation
Government grants & subsidies	242 630	117 942	124 688	106	Capital grant spent - Major Stadium and
Other revenue	5 022	2 498	2 524	101	Fire brigade fees, vehicle roadworthy fees and new electrical connections exceeded expectation
<b>Total Revenue</b>	<b>473 402</b>	<b>348 821</b>	<b>124 581</b>	<b>36</b>	
<b>EXPENDITURE</b>					
Employee related costs	165 677	167 195	-1 518	-1	
Remuneration of councillors	12 837	13 611	-774	-6	
Bad debts	12 960	10 000	2 960	30	Provision for indigent debtors raised
Billing adjustments	6 243	-	6 243	100	Correction of billing errors
Depreciation	26 012	26 000	12	0	
Repairs & maintenance	10 879	10 241	638	6	
Finance costs	1 067	1 562	-495	-32	EFT payment system introduced - reduction in bank charges
Bulk purchases	56 607	61 000	-4 393	-7	Decrease in demand - high tariffs
Grants & subsidies paid	22 404	-	22 404	100	Grant exp included as general exp in budget
Contracted services	2 058	2 251	-193	-9	
General expenses	42 595	73 682	-31 087	-42	Grant exp included as general exp in budget
Loss/(Gain) on disposal of assets	986	-500	1 486	-297	Assets derecognition, no actual disposal
<b>Total Expenditure</b>	<b>360 324</b>	<b>365 042</b>	<b>-6 204</b>	<b>-2</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>113 077</b>	<b>-16 221</b>	<b>130 785</b>		



### 4.3 Grants and transfers' spending

GRANT	DONOR	Quarterly receipts R'000					Quarterly Expenditure R'000				
		Sep	Dec	March	June	Total	Sep	Dec	March	June	Total
Equitable Share	DPLG	24 739	18 554	35 631	-	78 925	24 739	18 554	-	35 631	78 925
FMG	NT	-	-	-	500	500	500	-	-	-	500
MIG Grants	DPLG	11 700	-	9 890	19 664	41 254	2 685	8 183	16 136	15 226	42 231
2010 Stadium	DSRAC	100 000	-	-	-	100 000	21 561	50 099	7 800	3 339	82 799
NER	NER	-	-	6 800	-	6 800	-	5 439	1 846	-	7 285
Fleet Management	Prov Treasury	-	-	4 200	-	4 200	-	-	-	-	-
Urban Renewal	NT	3 838	2 105	-	397	6 339	2 351	2 274	2 414	2 159	9 198
Housing	NT	1 425	-	-	-	1 425	-	-	1 334	-	1 334
Human Capital	Prov Treasury	-	-	1 000	-	1 000	-	-	-	-	-
Cleaning	DEAT	-	1 000	-	-	1 000	-	-	-	1 000	1 000
Fire Station Refurbishment	Prov Treasury	-	-	-	2 600	2 600	-	-	-	-	-
DOT Taxi Rank	DOT	9 100	-	-	-	9 100	-	-	791	-	791
LED -Nduli Nature Reserve	DEAT	-	-	454	-	454	-	-	-	454	454
LED Comm. Partnership	DPLG	-	-	385	-	385	-	-	-	385	385
Elections infrastructure fund	DPLG	-	-	1 536	-	1 536	-	-	-	1 536	1 536
IDP Grant	DPLG	-	-	110	-	110	-	-	-	110	110
Primary Health Care	DOH	-	-	-	13 111	13 111	-	-	-	13 111	13 111
General Valuation	DPLG	1 120	-	-	-	1 120	-	-	1 120	-	1 120
MSP	NT	735	-	-	-	735	-	-	-	735	735
YAC	Umsobomvu	-	-	-	-	-	-	-	-	167	167
Disaster	DPLG	-	-	-	-	-	-	892	-	-	892
HIV Aids	DPLG	-	-	-	-	-	-	-	-	60	60
		152 657	21 659	60 005	36 271	270 592	51 836	85 441	31 441	73 911	242 630

### 4.4 Meeting of Donors' requirements for conditional grants

Details of conditional grants are disclosed in note 22 to the Annual Financial Statements. The balance of the unspent funds is disclosed as liabilities.

### 4.5 Municipality Long term contracts

The municipality has entered into the following long term borrowings:

- PIC loan R51.2 million with a remaining period of redemption of 9 years
- DBSA Loan R8.9 million with a remaining period of redemption of 9 years

The PIC loan was renegotiated after it was not serviced in the past.

Long terms contracts with service providers are mainly for bulk purchases for electricity and communication networks (Eskom and Telkom). Contracts with most of the service providers range from one year to five years.

#### 4.6 Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Expenditure of capital budget	R247 983	R121 899	49%
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the operational budget
2	Salary budget as a percentage of the total operational budget	R164 847 47.6% of total operational budget	R165 676 44% of operating revenue	48.8 % actual over operational budget
		Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the actual revenue
3	Total actual trade creditors as a percentage of total actual revenue	R62 080/R339 321 19.8%	R80 297/R374 908 (excl conditional grants)	R80 297/R374 908 (excl conditional grants) 21%
		Target set for the year (80% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual budget	R221 379/R339 321 65%	R230 772/R339 321	68%
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction	R213 000	R181 316	15%
6	Percentage of MIG budget appropriately spent	R27 731	R42 231	152%
7	Percentage of MSIG budget appropriately spent	R735	R735	100%

#### **4.7 The Audit committee functionality**

The municipality's audit committee did not function as envisaged. The Auditor-General raised this in the draft report. The AG report is analysed under section 4.9 below.

#### **4.8 Arrears in property rates and service charges**

The total debtors book is at R181.3 million net of provision for doubtful debts. The detailed ageing profile by category of debtor is disclosed in note 2 to the Annual financial statements (section 4.1).

The total outstanding debtors of property rates is R90.3 million, the majority of it being owed by residential consumers, R75 million of which is old debt in the 120 days plus ageing.

Electricity debtors are at R10.2 million, R6.5 million of which is classified as current.

Refuse debtors are at R49.8 million, the majority of which is at 120 days plus in the consumer category.

In the next financial year (2009/10) there will be a strategy in place to collect old debt, improve on current debt collection and the enhancement of revenue.

## **4.9 The Audit Outcomes and response thereto**

### **Executive Summary**

#### **(AG Report not issued, response based on draft)**

Financial Management and service delivery are intertwined. The KSD municipality, like all public institutions, has limited resources to address past inequalities and infrastructure backlogs. It therefore, follows that the limited resources that are available need to be used in a transparent, effective, efficient and economic way. In order to do same financial management has to be extremely robust.

The auditor-general's findings are classified under the following seven key areas:

- Annual Financial Statements.
- Supply Chain Management.
- Human Resource Management.
- Document Management.
- Control Environment, Compliance and Governance.
- Asset Management.
- Performance Information and Management

KSD obtained for the first time obtained a qualified audit opinion. It also reduced its audit findings by 27%. The management report highlights that the municipality has serious challenges around controls, compliance and corporate governance.

Management has already put in a number of issues to deal with the challenges. However, adherence to accounting standards and asset management are going to require attention and resources to resolve the challenges faced.

## Audit Outcomes

### 4.9.1 Background

An audit is a process of expressing an opinion on the financial statements, being the financial position (Balance Sheet) at the year-end date and the performance for the year under review, being 1 July 2008 to June 2009.

There has been a significant improvement in the audit outcomes for the last year. The municipality has received a qualified audit opinion. A significant leap from the unacceptable “disclaimer of opinion” received in prior years.

Table 1 below indicates the number of qualification paragraphs year on year and the 27% decrease in paragraphs year-on-year is clearly illustrated. The areas of asset management and investment properties form the majority of the qualifications. Of the 11 paragraphs 6 are of a technical nature.

Table 1:

	2008/09	2007/08	2006/07
Qualifications	No. Para	No. Para	No. Para
Property, Plant and Equipment	3	2	3
Investment Properties	3	-	-
Investments	-	1	7
Provisions	1	1	1
Inventory	-	1	-
Revenue	1	1	10
Accounts Receivable	1	4	2
Accounts Payable	-	-	5
Irregular Expenditure	1	-	-
Expenditure	-	-	6
Long-Term Liabilities	1	-	1
Funds and Reserves	-	1	2
Capital Commitments	-	1	-
Contingent Liabilities	-	1	-
Cash and Bank	-	2	3
	<b>11</b>	<b>15</b>	<b>40</b>

A further analysis of the paragraphs in table 2 below indicates that there is a complete elimination of limitation of scope paragraphs and over half of the qualifications relate to standard or technical matters.

Table 2:	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>
Limitation of scope	-	9	22
GRAP/Technical matters	6	-	-
Books and Records	3	5	12
Other Issues	2	1	6
	<b>11</b>	<b>15</b>	<b>40</b>

#### 4.9.2 Annual Financial Statements

The AG in its report under “key governance responsibilities” notes that the annual financial statements submitted for audit were subject to material amendments that resulted from the audit.

There 2 major causes of this. Firstly, the municipality has not filled the position General Manager: Budget and Treasury. Secondly, the decision by management to prepare the AFS in-house without the necessary internal support did have an effect.

#### Accounts Receivable and Revenue

The municipality received 1 qualification for accounts receivable and revenue, respectively. These were:

- The municipality only started to charge interest on overdue accounts 6 months into the financial year.
- Trade and other receivables had not been recorded at amortised cost as required by the standards.

#### Provisions

The auditor-general found that the municipality did not provide for the rehabilitation of landfill sites. The AG notes that the calculation is of a ‘specialist’ nature.

#### Current portion of long term liabilities

The auditors found that interest had been included in the amount to be paid back within twelve months. This is contrary to standard requirements.

#### 4.9.3 Supply Chain Management

The municipality was found not to have obtained the necessary quotations when procuring goods and services. It then followed that Irregular Expenditure was not disclosed in the AFS.

The AG indicates in its report that there seven investigations involving staff members that have committed alleged fraud. There are instances where these involve procurement.

#### 4.9.4 Human Resource Management

In the management report the structure of the municipality is found to be wanting, outdated and not in line with the IDP.

Staff shortages were found to compromise the control environment and are the root to most of the audit findings.

The AG qualified the municipality on its leave pay provision in the previous year. The management report indicates weaknesses in the administration of both annual and sick leave.

#### 4.9.5 Document Management

KSD faced severe challenges over document management in the previous years. These challenges manifest themselves in the provision of supporting documentation for the audit and ultimately lead to 'limitation of scope' qualifications. The auditors raised over 160 findings during the audit process down from the 300 in the previous year. Many of the findings (called exceptions) are a result of documentation not being provided when requested and if provided they are late.

#### 4.9.6 Control Environment

In the auditor-general's management report reference is made to the root cause of a finding. Root causes are normally related to the adherence to policies and procedures and the control environment. However, the report has highlighted controls and policies that are not in place. It is also common knowledge that the weaknesses have a profound effect on financial management. The following controls were not in place during the year under review:

- (a) Fixed asset monitoring and safeguarding.
- (b) Leave records are updated on a timely basis.
- (c) Monitoring of accumulated annual leave.
- (d) Officials taking regular leave.
- (e) Rental payments are in terms of valid contracts.
- (f) Organisational Structure is in line with the IDP.
- (g) Departmental heads certify their respective payrolls
- (h) Vacant posts filled timely basis.
- (i) Inventory controls are in place.
- (j) Leave payout controls.
- (k) No disaster recovery plan
- (l) No fraud prevention plan

Although there has been a large decrease of internal control findings there are still unacceptably high and more importantly, the same findings are repeated year on year.

#### 4.9.7 Compliance

The municipality, as a public institution, is required to comply too numerous prescripts. Although, these appear to be onerous they form the framework within the municipality operates and they enable the transparent, effective, efficient and economic use of public funds.

The auditor-general found instances of non-compliance. These are listed below:

- Suppliers not being paid within 30 days as prescribed by the MFMA.
- UIF not being deducted on Councillors pay.
- Risk assessment was not conducted.



#### 4.9.8 Governance

The municipality's lack of governance is reflected in the lack of compliance and a weak control environment. The following was found during the year under review (and in previous years):

- The audit committee did not substantially fulfil its MFMA responsibilities during the year.
- The internal audit function did not operate in terms of an approved internal audit plan.
- The internal audit function did not substantially fulfil its MFMA responsibilities during the year.

#### 4.9.9 Asset Management

In respect of Property, Plant and Equipment the Auditor –General raised the following three findings:

- Assets in the register were not verified due to the register not having sufficient detail.
- There is a misclassification between assets classified as Property, Plant and Equipment, and Investment Properties.
- Residual values were not determined in calculating depreciation on Property, Plant and Equipment.

The Auditor-General raised the following qualifying paragraphs in respect of Investment Property:

- Comparative figures in the AFS were not adjusted for investment properties brought into account in the year under review.
- Properties have been recorded as investment properties although they do not meet the definition of investment property.
- Valuations were not done accordance with the standards.

#### 4.9.10 Performance Information

The Auditor-General reports on Performance Information under “Other Reporting Responsibilities”. The AG made the following findings:

- No indication that the IDP was submitted to the MEC for Local Government within 10 days of adoption as required by the Systems Act.
- Reported information did not show actual achievements against predetermined objects nor did the IDP contain planned targets.
- The key performance indicators that were disclosed in the annual report are not consistent with the key performance indicators that are contained in the IDP.

#### **Intervention**

##### 4.9.11 Background

The management of KSD is well aware of the enormity of the task at hand. The aim in the short-term was to obtain financial management stability within an appropriate framework. This objective has to a large degree been obtained. In the medium term it was envisaged that the municipality will migrate from a disclaimer of opinion to a qualified opinion. This objective has been achieved to but the path to high road is proving to be a challenge. In the long term, after gains have been consolidated, the municipality obtains an unqualified report.

##### 4.9.12 Annual Financial Statements

The annual financial statements will continue prepared in-house. Due consideration will given to procuring the services of accounting specialists to review the books and records to ensure that they are in compliance with standards.

The post General Manager: Budget and Treasury office has not been filled after the normal placement process. Head hunting for the post has now started.

The municipality is in the advanced stage in awarding the Revenue Management tender. It is envisaged that the service will assist in cleansing the records.

#### 4.9.13 Supply Chain Management

Management appreciates the magnitude of this challenge and that this function cuts across all the Municipality's departments and impacts directly on service delivery. Management are at an advance stage of acquiring the services of an expert through the DBSA.

#### 4.9.14 Human Resource Management

The municipality is currently engaged in two important areas.

Firstly, it has recognised that its organisational structure is inappropriate for its business and the corporate services are in the process of reviewing and redesigning the structure.

Secondly, the municipality has recognised that individual performance agreements need to be aligned to the SDBIP, IDP and budget. The agreements have been drafted accordingly and finalised. Directors will also be required assess their subordinates.

Shortly after the financial year end all Section 57 manager positions had been filled. This should provide the necessary framework to ensure accountability and capacity to improve the audit outcomes.

#### 4.9.15 Control Environment, Compliance and Governance

The control environment is the basis for sound financial management and therefore, requires substantial attention.

Firstly, internal audit requires attention and needs to be fully functional. The municipality has decided to co-source this function. This has now become necessary as result of 2 staff members leaving the unit. In addition monitoring the compliance to the various statutes including the MFMA, needs to be carried out. An advertisement has been drafted and should appear in the local press soon.

Secondly, the respective directors and managers when responding to the exceptions/findings issued by the AG indicated the remedial action to be taken and a timeframe relating thereto. Internal audit would then follow up on this and report progress. Special emphasis will be placed on re-occurring findings.

Thirdly, management is like the AG extremely concerned about the functioning of the Audit Committee. Consideration is being to advertise the positions again and

ensuring that at least one member has the necessary accounting and auditing expertise.

#### 4.9.16 Asset Management

The 2008/09 audit report did have a large emphasis on asset management. The challenges around asset management are numerous. A Senior Accountant has been appointed to the assets section after the year end. This should provide more capacity to a vital area. External resources will be contracted where necessary to ensure adherence to the accounting standards.

## ***Chapter 5: Good Governance and Public Participation –KPA 5***

### **5.1 Overview of the Executive and Council functions and achievement;**

### **5.2 Public participation and consultation**

#### **a. Community involvement**

KSD Municipality is involving its communities when conducting IDP, it uses CDW's, Ward Councillors and committees, print media and local radio stations to communicate with them. However, the lack of documented strategy/ plan is envisaged as one of the challenges leading to poor attendance.

Ward participation yield good result than the Global meetings. All 32 wards are consulted through ward to ward IDP/Budget meetings. There is no positive feedback from communities which shows commitment from the citizens. Wards are visited to identify community needs, but the issue of resources is blocking development in one way or another. Ward based planning demonstrates the commitment of Municipality in addressing the needs requested by the community.

#### **b. Participation of business sectors and Traditional Authorities**

The Municipality has hosted several IDP Imbizos with Traditional Leaders and Business sector. There is also a good relation with NAFCOC and other business sectors.

There is interaction with Traditional Leaders and there is proper documentation prepared, though it is a draft stage, hence Traditional Leaders are budgeted for in the Speaker's office.

c. Functional Audit Committee

There is an Audit Committee and it operated during the reporting period. Evidence of its operation will be in the Audit Committee Charter, list of policies in place and those in progress and minutes of Council meetings considering reports from the Audit Committee are available.

d. HIV/AIDS and people with Disabilities

KSD Municipality shows its commitment in fighting HIV/AIDS by establishing Local Aids Council which participates on District Aids Council. The Local Aids Council represents in Council people affected and infected by HIV/AIDS.

Wellness desk and Ward Aids based forum are in place and workshopped. Strategy has been drafted awaiting approval by Council- to deal with people with HIV/AIDS and disabilities

e. Women and youth development, elderly and children

Youth Council is in place and the Youth Advisory Centre in connection with Special Programmes Unit are revitalising the new structure for Youth Council.

Strategy on women is not in place; however, programmes take place in an ad hoc manner.

Currently, there is no statistical information which shows that Gender equity is promoted. The programmes for elderly persons, children, disabled, youth, women & ex-combatants policies are to be put in place by June 2010.

### **5.3 Ward committees' establishment and functionality**

Ward Committees are established in all the wards in the KSDM, and are functioning fairly well. Monthly reports indicating the sittings of the ward committees and matters discussed and resolved are submitted to the office of the Speaker for processing.

Ward committees are an integral part that is driving the Integrated Development Planning and the implementation of the government's projects.

The work and support of the Ward Committees is located in the office of the Speaker.

### **5.4 Community Development workers performance monitoring**

The provincial government recruited 28 Community Development Workers (CDWs) to work in the KSDM. The CDWs are housed and operate in the office of the Speaker. A CDWs co-ordinator was appointed to serve as their administrative officer.

All CDWs work with the ward councillors, and assist in the service delivery programs, interact with the government departments, public entities and other relevant bodies that serve communities. They report on a monthly to the Provincial Office and further give reports to the ward councillors and the office of the Speaker. Once every month the office of the Speaker is invited to participate in what are called “**round table discussions.**”

### **5.5 Communication strategy**

The municipality does not have a communication strategy. A draft will be prepared in late 2009/10.

### **5.6 Anti corruption strategy**

The municipality did draft a strategy during the year. The strategy should be adopted during the 2009/10 year.

### **5.7 Intergovernmental Relations**

The idea of the IGR is to promote and facilitate co-operative operations across all the different levels of government towards ensuring service delivery. The Constitution also recognised that these levels of government cannot work independently of each other. However this ideal still remain allusive as the upper spheres are difficult to be made to participate except through a string of unfulfilled promises. IGR forum meetings are hard to be

held, few attempts were made by Department of Housing and Local Government and Traditional Affairs but later stopped. The District also attempted to hold some meetings.

## **5.8 Legal matters**

### **5.8.1 Setting up of Legal Units**

The legal unit has been established and currently manned by two officials, Legal services manager and an Intern. Legal claims once received and assessed are then referred to the external firm of attorneys for defence and / legal advise, where applicable.



**Firm of attorneys:** The following firm of attorneys were use on a rotational basis during the year under review

<b>MNQANDI INCORPORATED</b>
<b>SMITH TABATA ATTORNEYS</b>
<b>X.M. PETSE INCORPORATED</b>
<b>JOUBERT GALPIN SEARLE</b>
<b>C.B. NGUZA &amp; ASSOCIATES</b>
<b>M. DALASILE &amp; ASSOCIATES</b>
<b>MVUZO NOTYESI INC</b>
<b>VAUGHAN HOLMES ATTORNEY</b>
<b>N. S. NOMBAMBELA ATTORNEYS</b>

#### 5.8.2 Management of litigation

Case Load Management with specific reference to:

##### a. Legal cases ruled Favourably

<b>Case name</b>	<b>Recovery (yes/No)</b>	<b>Reasons for non recovery</b>
N. A. Mbiko	No	Still tracing Mrs Mbiko
E. P. Mamba ( land claim)	No	Lodge an appeal against decision
Nontuthuzelo Sipunzi (split meter)	No	Bill being taxed
No Italy Mtirara	No	Attempting to attach goods
African Bulk Earthworks (first phase)	No	Taxing the bill
M.C. Manana	No	Now on appeal
B.F. Mbebe	No	Bill being taxed
Dlusha N	No	Bill being taxed
N. Puza	No	Bill being taxed
N. Futshane	No	Bill being taxed

**b. Legal cases ruled unfavourably**

<b>Case name</b>	<b>Compliance with judgement (yes/No)</b>	<b>Reasons for non compliance with judgement</b>
Mimosa Properties	Yes	N/A
Nontlahla Zilwa	Yes	N/A
Mgolombane N.C	Yes	N/A
Lixie Ceza	Yes	N/A
Theresa Vava	Yes	N/A
S.P. Nyobole	Yes	N/A

**c. Case age analysis**

<b>Case name</b>	<b>Nature of the case</b>	<b>Date of commencement</b>	<b>Cases of 2 years or below</b>	<b>Cases beyond 2 years</b>	<b>Reasons for extensive duration</b>
African Bulk Earthworks	Claim of Damages	April 2007		Yes	Municipality disputing claim
Tozama Zifo	Claim child run over Municipal tip truck but survived	April 2007		Yes	Municipality disputing the claim amount
Kwalindile Community	Land Claim	March 2006		Yes	Judgement still reserved
Zimbane Community	Land claim	February 2008	Yes		Matter Pending in Court
Maxprof	Claim for Vat verification		Yes		Municipality disputing claim
Fikile Hintsa	Salary Grade Claim	May 2001		Yes	Municipality disputing claim
Khaya A Velebhayi	Unfair dismissal Claim	2008	Yes		Lodge an appeal
Matsiliso Mgqweto	Collection of outstanding rates	February 2008	Yes		Matter being disputed in Court
John Wienand	Constructive	2008			Pending

	dismissal				
Brian Njomane	Claim for position	2007	Yes		Pending in CCMA
L.T. Kokose	Leave pay and damages	2007	Yes		Pending in Court

#### **d. Default judgements**

<b>Case name</b>	<b>Reasons for default judgement</b>
Freeborn Maxabandile Ndzamela	Confusion in the serving of court papers
Ivory Coach Lines	Not necessary to defend – A compliant issue

#### **e. Prevention mechanisms of current litigations:**

The following was embarked upon by Legal services manager in order to prevent litigations:

- Ensure compliance with court orders
- Ensure departments implement and monitor the resulting action plans as part of inter-grated governance requirements and to prevent each act from happening.
- Negotiate claims/ settlement as circumstances allows by communicating directly with the claimant or his/ her legal representative after the Municipal manager's authorisation
- Legal service manager assigned responsibility for controlling these risks to HOD's, where risks have been identified
- Make recommendations to Municipal manager to settle potential claims.

#### **f. Criminal matters emanating from corruption and fraud for the period 2008/09**

The following cases have been reported:-

15 Cases of Corrupt practices  
17 Cases of Fraud  
9 Cases of Theft  
2 Cases of Financial Misconduct

### 5.8.3 Management of Legal Risks

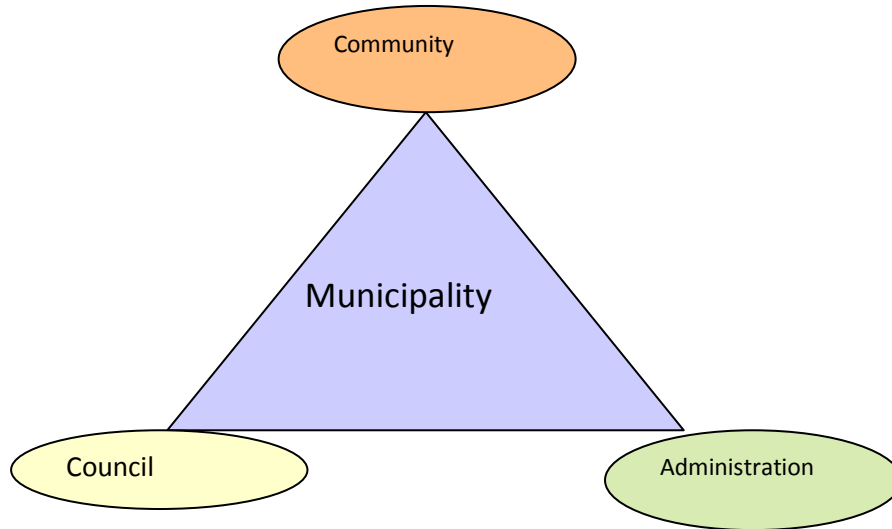
A draft policy on management of litigation and risks is being circulated for comments

## Part 3: Functional area reporting and Annexure

### A. *Functional areas service delivery reporting*

#### 6.1 Executive and Councils Functions Performance

A distinction is made between a **municipality** and its **municipal council**.



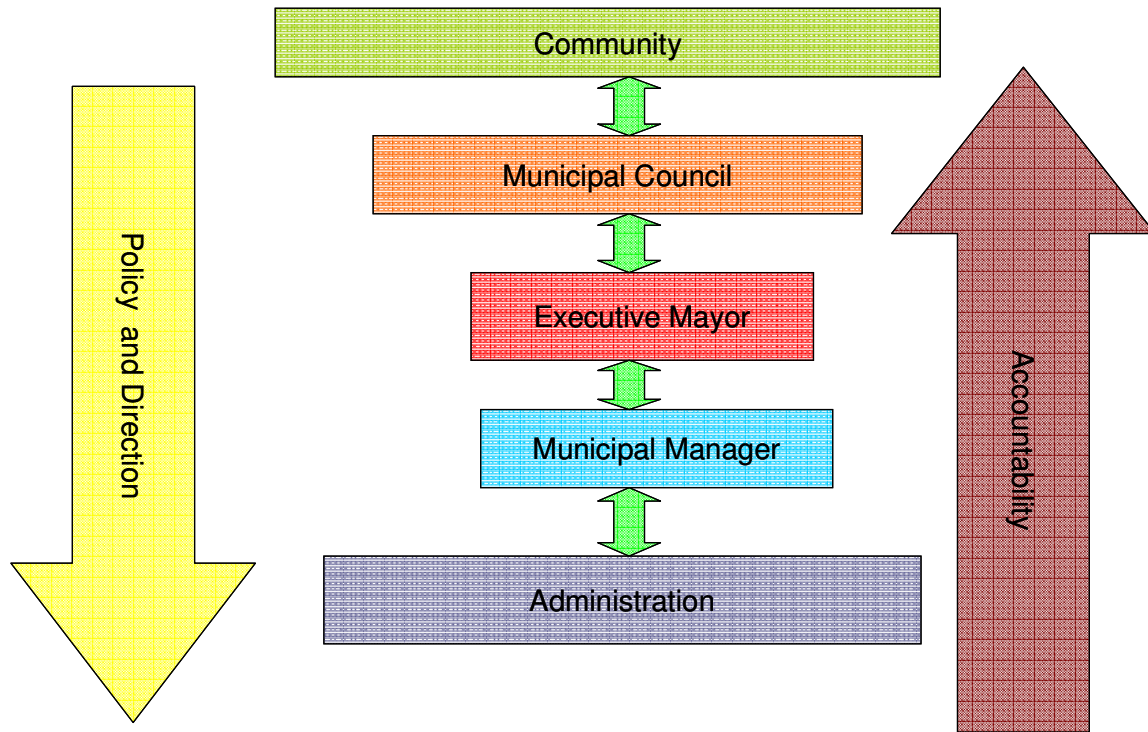
By definition a municipality is the core institution within the sphere of local government. Municipalities are organs of state that consist of the political structures and administration of the municipality and the community within (residents inhabiting) the municipal area. The rule of law is the supreme body in a municipality as government institution.

A municipal council is a body consisting of directly or indirectly elected councillors. A municipal council is thus one of the political structures of a municipality.

“Municipality” is therefore a much broader concept and a more inclusive collection of institutions or structures than a municipal council. Therefore a municipality and its council are not synonymous with each other.

The national legislation establishes a separation of roles and responsibilities between the mayor and the council and the mayor and the municipal manager.

The diagram below illustrates the governance and accountability relationships between the political and administrative structures within a municipality.

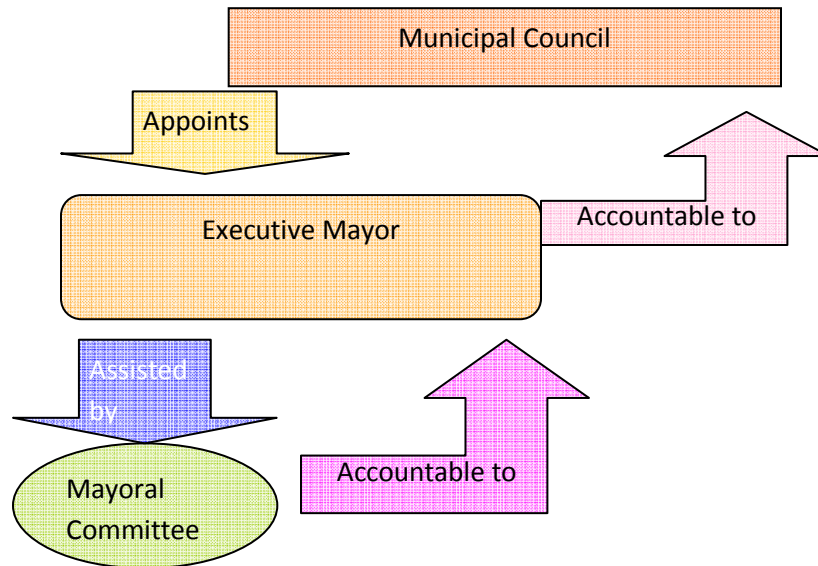


### **Performance of Executive and Municipal Council during 2008/09:**

The KSD municipality has a mayoral executive system whereby the executive authority is exercised through the executive mayor, in whom the executive leadership of the municipality is vested. He is assisted by a mayoral committee.

The KSD system also allows for a Ward Participatory System that allows for matters of local concern in the various 32 wards to be dealt with by ward committees formed by the wards.

## Example of a Mayoral Executive System



During the reporting period the executive arm of the municipality changed in December 2008 therefore accountability relationships also changed. A new executive mayor reported to the municipal council and in turn the municipal manager also reported to the new executive mayor.

The executive mayor was assisted in the mayoral committee by a relatively new set of councillors.

### Challenges:

In the system the mayoral committee members are also chairpersons of portfolio committees and during the reporting period the accountability had challenges in terms of the reporting of performance. This was due to lack of an effective performance reporting framework within the municipality as a result committee operations not in sync with SDBIPS ( service delivery and budget implementation plans) and IDP.

Municipal council has three political parties and the number of councilors relatively remained unchanged during the period except for few deaths and

vacancies were later filled. All ward committees reasonably operated and interacted with communities as part of the municipal council's accountability responsibility.

Municipal administration, as one of the structures of the municipality after a number of years without a full time municipal manager, managed to have one for the whole year under the reporting period. The administration had its share of big challenges in basic governance matters like accountability, productivity and ethical values. Its accountability was also affected by the lack of effective performance reporting framework.

## 6.2 Corporate Services

Planned performance	KPI's	Actual performance	Challenges/ Reasons for and measures
Policy formulation and review	Existing HR Management Policy Manual reviewed and adopted	Policy reviewed, but never approved	Policies pending Council approval Brought forward to 2009/10
	HIV Policy approved	Policy formulated, but never approved	
	Occupational Health and safety policy approved	Policy formulated, but never approved	
	Sexual harassment policy approved	Policy formulated, but never approved	
	Training and development policy approved	Policy formulated, but never approved	
	EAP Policy approved	Policy formulated, but never approved	
	Access to information policy approved	Policy formulated, but never approved	
	Litigation policy approved	Policy formulated, but	



		never approved	
	ICT Policy approved	Policy formulated, but never approved	
	EE Policy approved	Policy formulated, but never approved	
	Registry manual approved	Policy formulated, but never approved	
Automation of Municipal Support	Workshop for Councillors outlining the technology available and how to use it	Never achieved	Unavailability of funds. The 2009/10 financial year.
	Implement electronic communication between Corporate services and Councillors	Never achieved	
Training and development	Enhancing the skills of councilors, and officials and spending the training budget on relevant programmes	That was achieved through conducting annual skills audit and formulation of WSP for officials and councilors	
	Assessment of training needs for officials, councilors and traditional leaders within the Municipality	Training needs assessment done	

	Adopt workplace skills plan	Workplace Skills Plan adopted	
	Workshop for HOD's and officials for buy-in		
Review of Municipality's organogram	Facilitate clear understanding of the approved functions of each department	Achieved	Time-frames
	Develop and present draft macro structure	Achieved	
	Develop and present 1 <sup>st</sup> draft organogram	Achieved	
	Approval by the Council of revised costed organogram	Organogram to be approved by the Municipal Manager during 2009/10 financial year	
Disaster Recovery Plan	Disaster Management Plan adopted by Council	<p>Master Systems Plan formulated, which incorporate DRP</p> <p>Hardware acquired for systems data back-up and recovery. Implementation to be effected during 2009/10 financial year.</p>	

	Service Level Agreement with hardware supplier	SLA to be finalized during 2009/10 financial year. To be finalized with the new service provider.	
	MOU in place – off site arrangements for back-up servers	MOU never finalized. Challenge with off-site arrangement pertaining to location of hardware.	

### 6.3 Infrastructural Development

KPA	Delegated To	KPI	Comments
Develop the capital infrastructure within the municipal area	PMU Section	<ul style="list-style-type: none"> <li>Approved projects completed within the financial year</li> <li>38.2km to be completed within financial year of 2008/2009</li> <li>Fully comply with Dora responding requirements</li> <li>Monitor the project implementation</li> </ul>	<p>Completed</p> <p>Projects fully completed</p> <p>Requirements met</p> <p>Projects fully monitored</p>
KPA	Delegated To	KPI	Comments
Promote development of sustainable Human Settlement	Housing Section	<ul style="list-style-type: none"> <li>782 Houses at Zimbane Valley completed at the end of June 2009</li> <li>450 Houses at Waterfall</li> </ul>	<p>Challenges in availability of materials and labour, on site intimidation have slowed progress – target now 2<sup>nd</sup> quarter 2009/2010</p> <p>All houses completed</p>

		<ul style="list-style-type: none"> <li>▪ 463 Houses at Ilitha to be completed at the end of June 2009</li> </ul>	As explained in Zimbabwe township above.
Maintain the Roads within the Municipal Area to promote Economic Development	Roads Section	<ul style="list-style-type: none"> <li>▪ Pothole patching</li> <li>▪ 2.Sidewalk repairs</li> <li>▪ 3.Storm water cleaning</li> <li>▪ 4.Gravel Access Roads</li> <li>▪ 5.Manhole repairs</li> <li>▪ Roads resealing at Mbuqe and Norwood</li> </ul>	<p>CBD &amp; N2 towards Kokstad Road – project fully completed. Telecom has to complete its portion.</p> <p>Target reached.</p>
Encourage employment to alleviate poverty	Town Planning Section	<ul style="list-style-type: none"> <li>▪ Availability of land for development</li> </ul>	Master Plan completed – find assessments being done on land ownership and suitability.

<p>To promote Economic Development</p> <p>To promote orderly and structured development of the Municipal Area</p>		<ul style="list-style-type: none"> <li>▪ Applications processed efficiently</li> <li>▪ Erf 2784 made available for shopping</li> <li>▪ Purchase of land for housing data base established records (planning statistics)</li> </ul>	<p>Backlogs are slowly being dealt with still a factor in performance.</p> <p>Delays in design and implementation of the taxi rank (due to occupation of existing premises) have delayed advertisement of this land.</p>
<p>Maintain a consistent and a safe supply of Electricity to the Consumer in the Municipal Area.</p> <p>Improving living standards in the Municipal Area</p>	Electricity Division	<ul style="list-style-type: none"> <li>▪ Maintenance of street lights (Robots).</li> <li>▪ All intersections must be functioning in the 1<sup>st</sup> week of March 2008</li> <li>▪ Visibility of lights in suburbs where there are street lights</li> <li>▪ Maintenance of substations &amp; transformers</li> <li>▪ Laying of cables</li> </ul>	<p>Target achieved despite regular failures, requiring maintenance.</p> <p>Mbuqe, Southernwood, Hillcrest done – Sidwadwa, Southridge require revisiting and re-assessment and there is a continuous maintenance being done where failure occurs.</p> <p>60% of work done to date</p>

		replacing dilapidated reticulation <ul style="list-style-type: none"> <li>▪ Establishment of line in all Townships</li> <li>▪ Electrification of low cost housing 3,000 units.</li> </ul>	80% done by Balleden & Robb  1,500 done so far project by Balleden & Robb still on going
Maintenance of Municipal fleet	Mechanical Workshop	<ul style="list-style-type: none"> <li>▪ Maintaining Municipal assets</li> <li>▪ Servicing Municipal fleet</li> </ul>	4 <sup>th</sup> quarter planned activities complete
Building Regulations Compliance	Building Inspectorate Section	Approval of plans contraventions Inspections	Targets reached even with capacity challenges.
Maintaining municipal buildings furniture pave sidewalks	Works Section	Re-laying paving slabs at Sutherland street	Target reached only busy with the construction of additional store room.

## 6.4 Urban Renewal Programme

KPA	Delegated To	Objectives	KPI	Comments
Social Amenities	Programme Manager	Improved health standards.  Improving general social standards	Renovations and extensions to Ngangelizwe Clinic.  Library upgrade.	Contractor onsite progressing well. Project Launch 17 July 2009.  In execution 99% complete.
Economic activities	-do-	Improved economic infrastructure.	Upgrade Boundary link roads and renovate Transido.	Tender report referred back to UWP for reconsideration. Transido Business Hub currently under renovations by Contractor. Project Launch 17 July 2009.
BNG	-do-	Provision of human settlement structures.	Detailed layout planning of erven, services, social infrastructure for 1 500 units.	Layout planning in progress. Land claim delays project.
Mthatha Functional Urban Area	-do-	Sustainable Renewal of Mthatha.	Produce Sustainable Renewal Strategy Plan and identify Quick – wins.	Complete. Approved by Council March 2009.
Ngangelizwe Internal Roads	-do-	Upgrade living environment.	Entrance and road markings.  Paving of streets & walkways.	Emerging Contractors on site. Construction work in progress.



## 6.5 Finance and Asset Management

KPA	Delegated to	Objectives	KPI	Comments
Property rate valuation roll	CFO	Increase the revenue base	<ul style="list-style-type: none"> <li>General valuation complete</li> <li>Roll open for public inspection</li> <li>Council adopts rates policy</li> <li>Valuation roll ready for implementation on 1 July 2009</li> </ul>	<ul style="list-style-type: none"> <li>Draft valuation roll presented on 23 January 2009</li> <li>Final Valuation roll presented on 31 January 2009</li> <li>The Public Participation process took place in March 09</li> <li>Advertisement on the Gazette and the Newspapers done</li> <li>No comments were received from the public</li> <li>Property rates by law adopted in council on 30 June 2009</li> <li>Valuation roll captured on the system - testing underway for billing end July</li> </ul>
Debtors Data Cleansing	CFO	The consumer is provided with the service being charged at the correct rate and for correct units	<ul style="list-style-type: none"> <li>Physical inspection of premises-evidence</li> <li>Check data base for correct tariffs-evidence</li> <li>Billings sent out on correct date-evidence</li> <li>Internal/External audit reports</li> </ul>	<ul style="list-style-type: none"> <li>General valuation process included physical inspection of premises</li> <li>The new valuation roll will be uploaded on the system - this is in effect a data cleansing process</li> <li>Billings done monthly. Delivery can be improved</li> </ul>
Raise Debtors Collection Rate to 85%	CFO	Improve liquidity and meet 2008/09 budget commitments	<ul style="list-style-type: none"> <li>Review and implement Debt Collection &amp; Credit Control Policy</li> </ul>	<ul style="list-style-type: none"> <li>Credit control and debt collection by-law approved by council</li> <li>Improved collection on current billings overall collection rate of 96.5%</li> <li>Write offs currently in progress to be completed before close off 30 June</li> </ul>

			<ul style="list-style-type: none"> <li>Review weekly O/S Debtors &amp; decide on action for coming week-minutes meeting</li> <li>Reconcile debtors ledger monthly to control account - evidenced</li> </ul>	<p>2009</p> <ul style="list-style-type: none"> <li>Write offs comprise of - Water and Sanitation accounts, Old untraceable balance</li> <li>The total amount written off against the provision account – R67 691 306</li> <li>Reviews done monthly and action taken accordingly (assisted by DBSA)</li> <li>Reconciliations difficult - reliance on Rdata (system providers) to find and clear reconciling items</li> </ul>
Accounting Issues	CFO	<ul style="list-style-type: none"> <li>Work towards complying with GAMAP / GRAP</li> <li>Improvement in the accuracy and timeliness of internal /external reporting</li> <li>Work towards an unqualified audit report</li> </ul>	<ul style="list-style-type: none"> <li>Primary bank account reconciled within 10 days of following month-evidenced</li> <li>Suspense accounts cleared monthly – evidenced</li> <li>Asset register complete in GAMAP format</li> <li>Internal/External audit reports</li> <li>AFS 2007/2008 to AG by 31 August 2008</li> <li>Contribution to 2007/2008 Annual Report complete by 31 October 2008</li> <li>Comply with MFMA reporting</li> </ul>	<ul style="list-style-type: none"> <li>Cash book reconciliation up to date – challenge recons to the GL(reliance of system provider)</li> <li>Principal accountant urgently needed</li> <li>Current staff clearing suspense account – Principal accountant needed to monitor closely</li> <li>Asset Verification process started. Asset register loaded onto the accounting system. (Previously, it was outside the system)</li> <li>Asst compiled in the register in the basic GRAP Format.</li> <li>Audit report received on 18 December 2008</li> <li>AFS submitted on time</li> <li>AFS and audit report complete</li> <li>Done</li> </ul>
Register of Indigents	CFO	<ul style="list-style-type: none"> <li>Assist Council on logistic matters with compilation</li> <li>Assist Council ensuring Indigents</li> </ul>	<ul style="list-style-type: none"> <li>Develop time schedule for MM to discuss with the Speaker</li> <li>Arrange for staff and equipment to be available at</li> </ul>	<ul style="list-style-type: none"> <li>Programme schedule prepared. Programme ran through the August month</li> <li>Students were requested to assist in capturing all the application forms</li> </ul>

		receive their correct entitlements	each Ward	<ul style="list-style-type: none"> <li>▪ Verification process started in the wards, only one ward councillor submitted for objections</li> <li>▪ Quotations sourced from the credit verification sources to verify 40000 applications</li> </ul>
Supply Chain Management	CFO	<ul style="list-style-type: none"> <li>▪ Maintain supply of materials/services as required</li> <li>▪ Administer the SCM process efficiently</li> </ul>	<ul style="list-style-type: none"> <li>▪ SCM policy reviewed</li> <li>▪ SCM Unit established</li> <li>▪ Timetable of meetings circulated</li> <li>▪ Develop internal/external reporting as per MFMA</li> <li>▪ The process for each tender is to be within 30 days</li> <li>▪ Workshop for Cllrs and Officials on MFMA</li> </ul>	<ul style="list-style-type: none"> <li>▪ Draft updated SCM policy submitted to finance committee and council for review</li> <li>▪ SCM unit relocated to the finance department in January 2009</li> <li>▪ Meetings schedules twice weekly</li> <li>▪ Quarterly reports are prepared. We need a structured approach to the reports</li> <li>▪ Still a struggle. Shortage of staff in the unit and availability of committee members</li> <li>▪ Workshops conducted by DBSA</li> </ul>

## 6.6 Planning, Social and Economic Development

KPA	DELEGATED TO	OBJECTIVES	KPI	ACTUAL PROGRESS AS AT 30 JUNE 2009
<b>Local Economic Development</b>	LED Section	<ul style="list-style-type: none"> <li>Contribute to the economic growth of the region and to increase employment</li> <li>Encourage more people to start their small business</li> </ul>	<ul style="list-style-type: none"> <li>Promotion and marketing of KSD investment opportunities</li> </ul>	KSD has successfully participated in the investment promotions during the OR Tambo conference held in February 2009.
			<ul style="list-style-type: none"> <li>Training of Cooperative on wood technology</li> </ul>	Five coops have been trained and incubated at Furntech supported by SEDA. Further training of learners is still on the pipeline, A proposal by the Furntech has since been submitted to the Section.
			<ul style="list-style-type: none"> <li>Source grant funding</li> </ul>	EU has funded us for Municipal Cleansing partnership and for Feasibility study and action plan for Nduli Nature Reserve to the value of R2.2 million
	LED Section	<ul style="list-style-type: none"> <li>SMME Development</li> </ul>	Approved concept note on development of SMME development strategy	Three quotations have been sourced to commence with the work of developing an SMME Development Strategy

	LED Section	<ul style="list-style-type: none"> <li>Poverty alleviation program</li> </ul>	<ul style="list-style-type: none"> <li>Approval of projects and funding source</li> </ul>	All LED projects under the Ward Based budget have been approved for funding. Service providers have since been given go ahead to supply the requested inputs by relevant wards.
	LED Section	<ul style="list-style-type: none"> <li>To ensure that DEDEA funded projects are procured and implemented</li> </ul>	<ul style="list-style-type: none"> <li>Procure all DEDEA funded projects for 06/07 financial year</li> <li>Liaise with Supply Chain for quotations and prepare payments to finance dept.</li> </ul>	All projects are progressing well former MEC for DEDEA last year visited Masikhule Youth project at Ngangelizwe.
	LED Section	To co-ordinate and implement agricultural related projects	11 wards have been identified by ASGISA EC for massive food production i.e. Maize production	Agriculture identified the areas that are suitable for maize production. Soil tests done by Agric but other areas were not fenced.
<b>Tourism Development and marketing</b>	Tourism Section	<ul style="list-style-type: none"> <li>Develop responsible tourism in order to market and manage the tourism industry in a responsible manner, so as to create a competitive advantage.</li> <li>Attract more tourists to visit and big investors to invest in the area</li> </ul>	<ul style="list-style-type: none"> <li>Form tourism partnerships among people involved with arts and craft business.</li> <li>Establish KSD Arts, Craft and Tourism Forums / Associations.</li> <li>Establish a KSD Tourism Sector Plan</li> </ul>	Partnership was formed and the KSD Arts, Craft and Forums were established. KSD Arts Council to be launched on the 10 August 2009

	Tourism Section	<ul style="list-style-type: none"> <li>• Ensure that KSD is effectively marketed as a tourism destination</li> <li>• </li> </ul>	<ul style="list-style-type: none"> <li>• Marketing and promotion</li> <li>• Develop a KSD Tourism website</li> <li>• Establish a KSD Marketing Strategy</li> <li>• Ensure that all KSD products are included in the Eastern Cape Tourism Board.</li> <li>• Develop a strong brand identity</li> </ul>	Website and brand identity development in progress
		<ul style="list-style-type: none"> <li>• To ensure availability of tourism information on KSD and surroundings to all would be tourists as well as tourists visiting KSD area</li> </ul>	<ul style="list-style-type: none"> <li>• Development of Tourism Information Centre</li> <li>• Facilitate accumulation and dissemination of tourism related information.</li> </ul>	The KSD Tourism Brochure was developed. The revision of the brochure is underway
	Tourism Section	<ul style="list-style-type: none"> <li>• Train and empower local people</li> </ul>	<ul style="list-style-type: none"> <li>• Increase the level of tourism understanding to the local people</li> <li>• Work closely with DSRAC, DEAT &amp; DEDEA to assist local communities to identify and develop their tourism potential.</li> <li>• Involve local communities that are in close proximity to the tourism plant and attractions through the development of meaningful economic linkages.</li> <li>• Develop focused capacity-building programmes for</li> </ul>	Training was performed to capacitate communities involved with tourism, heritage, arts and culture.

			local people.	
	Tourism Section	<ul style="list-style-type: none"> <li>• Tourism awareness and environmental management</li> </ul>	<ul style="list-style-type: none"> <li>• To preserve tourism and heritage sites for sustainable tourism.</li> <li>• To preserve tourism and heritage sites for sustainable tourism.</li> <li>• Advocate cleaning and greening campaigns.</li> <li>• Conduct sensitisation campaigns for rural communities</li> <li>• Advocate security of identified tourist and heritage sites by municipality.</li> </ul>	Cleaning campaigns were advocated within KSD area.
	Tourism Section	<ul style="list-style-type: none"> <li>• Ensure the maintenance of database (information) on all Hospitality Service Providers in KSD area.</li> <li>• Ensure maintenance of high service standards by Hospitality Service Providers.</li> </ul>	<ul style="list-style-type: none"> <li>• Embark on awareness campaigns and briefing sessions for Hospitality Service Providers.</li> <li>• Development and maintenance of service provider register.</li> <li>• Inspection of hospitality establishments in KSD area.</li> <li>• Development and implementation of rating and grading system for hospitality establishment.</li> </ul>	The Data base was collected and developed for KSD Data base for information.

	Tourism Section	<ul style="list-style-type: none"> <li>• Create safe and secure environment for all travellers.</li> <li>• To promote safety of tourists thereby promoting KSD as a choice tourist destination.</li> </ul>	<ul style="list-style-type: none"> <li>• Promote and drive community based tourism awareness campaign.</li> <li>• Facilitate community education on tourism, Heritage, Arts and Culture.</li> </ul>	Training and awareness's were performed in participation with Eastern Cape Tourism Board.
<b>Business Licensing</b>	Business Licensing section	<p>To create and maintain a record of the business</p> <p>Activities within Mthatha</p>	Data base of all registered businesses control and supervise as per Act No. 71 of 1991.	<p>We received a lot of applications, People are self employed.</p> <p>Maintains various files, register and records in a systematic manner performs necessary data.</p>
	Business Licensing section	To use Data base as a base for revenue	Physical inspections undertaken	Departments involved are informed to inspect premises before the business is registered or a licence is issued.
	Business Licensing section		Fees and charges	<p>Monies collected are deposited on daily bases to the Department of Finance – Fees are paid on or before the 7<sup>th</sup> of each month. Monthly statistic is provided on monthly basis.</p> <p>Others have paid for the whole year.</p>



	Business Licensing section		Create a conducive environment to operate	Establishment of a one stop shop- Providing of many services in one place various requirements are met in one place .
	Business Licensing section		User friendly approach adopted	People are treated according to Batho Pele principle – consultation, Access, Openness and Transparency, Treating people with courtesy, dignity and respect. For example, no permit is issued to vendors without the permission from a street committee- stalls are allocated by the committees (community) not by officials.
<b>Annual Review of the IDP</b>	IDP Unit	IDP To provide a planning tool that gives economic direction consistent with the other spheres of government to the region.	<ul style="list-style-type: none"> <li>• Compliance with Budget/IDP timetable and/or process plan tabled in council for 2008/09.</li> <li>• Community consultation and engagement</li> <li>• IDP Representative Forum formed.</li> <li>• MSA and MFMA deadlines met.</li> </ul>	<ul style="list-style-type: none"> <li>• IDP process plan approved</li> <li>• IDP Ward to Ward Outreach Programme conducted</li> <li>• First draft IDP Review 2008/09 adopted in March 2009</li> <li>• Draft IDP Review was advertised in April 2009 for PUBLIC inspection</li> <li>• IDP Representative Form was held for alignment</li> <li>• Final draft IDP approved in May 2009</li> </ul>

	IDP Unit	<ul style="list-style-type: none"> <li>To improve planning and budgeting municipal systems</li> </ul>	<ul style="list-style-type: none"> <li>Source funding from DPLG (MSIG) to improve systems of the municipality</li> <li>To ensure that planning and financial systems are improved and performed in an effective and efficient manner</li> </ul>	A business plan was submitted to DPLG and an amount of R884 000 was secured
	IDP Unit	<ul style="list-style-type: none"> <li>Ward based planning and budgeting</li> </ul>	<ul style="list-style-type: none"> <li>To train communities, particularly ward Councillors, committees and Community Development Workers on development of ward based plans</li> <li>Determine funding for Ward based budgets and allocations for the next five years consistent with National and Provincial priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Community based planning was conducted by Afesis Corplan</li> <li>R3.2 million was allocated for wards' programmes</li> <li>Service providers have been engaged to supply wards' priority projects' inputs</li> </ul>
<b>Social Development &amp; Special Programmes</b>	Special Programmes unit	<ul style="list-style-type: none"> <li>Establishment of partnership Between KSD municipality and Mthatha Mtshana, NGO</li> <li>To give support to the most disadvantage people of Mthatha Tipini</li> </ul>	Engagement of business sector to assists ,with a glossary, Clothing and parent wood	We manager to provide clothing and glossary including parent wood through the assistance of business. An official handover goods was led by the Executive Mayor
	Special Programmes unit	<p>To keep Mthatha clean</p> <p>To encourage the spirit of youth volunteerism</p>	<p>Form parternership between KSD Municipality and National youth service</p> <p>Mobilisation of young people within KSD area and development of proposal to access funding from the department of</p>	Recruitment of 300 young people and engaged them for two day get paid R200 as stipend

			community services	
	Special Programmes unit	<ul style="list-style-type: none"> <li>Establishment of Ward Youth Forum</li> <li>To establish youth consultative structures for the decentralisation of information for youth development at ward level</li> </ul>	Visiting of ward to ward for the purposes of launch youth structures	Youth structure were established
	Special Programmes unit	Awareness Campaign on drug abuse	<ul style="list-style-type: none"> <li>Partnership between KSD municipality and Dept of Social Development hosting international day Against Drug Abuse</li> <li>To gather all the social partners for the purpose of information sharing</li> </ul>	NGOS, schools, political leadership and the entire community of Ngangelizwe attended the event.
	Special Programmes unit	<ul style="list-style-type: none"> <li>Partnership between KSD Municipality and Interdenominational community (Ibandla Lasemthini</li> <li>To mobilised street kids for the purpose of removing them from the streets by praying for them and give them parenthood</li> </ul>	Invite all government dept and commit themselves for the removal of street kids from the street	Commitment we made by the executive mayor, government depts and NGOs that the programme of removing the street kids be an own going programme for the better of Mthatha
	Special Programmes unit	Partnership between KSD and Nelson Mandela Foundation-Awareness campaign on HIV/AIDS	Conducting of workshop on HIV/Aids programme at Ngangelizwe	About 150 attended the workshop at the Rotary Hall Ngangelizwe
	Special Programmes unit	Partnership between Dept of Social Dev and KSD in hosting Older Persons golden games -To promote active ageing	Provide 36 older persons with tracksuits	120 older persons were gathered at Richardson Park on the 12 June 2009

	Special Programmes unit	Moral Regeneration - To workshop students about self awareness	Workshoring of two schools one at Mthatha the other one at Mqanduli	40 learners per school were workshoped and were give promotional material that talks about the morals and their self introspection
		Create a conducive environment for effective functioning for Youth Advisory Centre (YAC)	Monitor and Manage YAC programmes	<ul style="list-style-type: none"> <li>• Bursaries</li> <li>• Youth awareness campaigns</li> <li>• Young farmers</li> <li>• Unemployed youth</li> <li>• Open job opportunities</li> </ul>

## 6.7 Community Services

KPA	Delegated To	Objectives	KPI	Comments
Solid Waste	HOD	Enhance the appearance of the area.	1. Purchase of trolley bins and skips for commercial waste.	Due to limited budget skips and bins were not purchased. Skips and bins are budgeted for in the next financial year.
		Support the Tourism agenda		
		Reduce sickness and the spread of diseases.	2. Purchase of small bins for the CBD.	Bins donated by O.R. Tambo District Municipality are being placed in the Central Business District.
		Encourage residents to take pride in the region.	3. Illegal dumps cleared.	O.R. Tambo DM provided support in clearing illegal dumping sites.
			4. Refuse removal plant and equipment.	Refuse removal services is provided by using 7 contracted compact trucks and 4 open trucks that are hired on month to month bases as part of community projects. Due to lack of funds 1 bulldozer is hired on monthly bases for compaction in the landfill site.

				Municipal Fleet and Equipment is old and unreliable. Plans are in place to Procure Fleet for the entire Municipality.
				Municipality is in partnership with Department of Environmental Affairs on Cleaning and Greening. 324 workers were contracted for Cleaning and Greening Programme.
Libraries	HOD	<p>Provide a recreational outlet.</p> <p>Increase literacy and knowledge in the region.</p> <p>Encourage children to read books.</p>	1. Library provided at Mqanduli.	Mqanduli Community hall is currently used for library services. Plans in place to identify possible site for library in Mqanduli. Infrastructure Department has been to the site to identify what needs to be done.
			2. Mobile libraries provided to Slovo, Mandela and Coffee Bay.	Classroom has been provided at Mapuzini FET College at Coffee Bay for library use. Awaiting DESRAC to commence with the shelving for books.
			3. Directional signage erected.	Signage not yet done.
			4. Recruit personnel for Mqanduli / Ikwezi libraries.	DSRAC is prepared to subsidize the existing staff only. Recruitment of staff has not yet been finalized but DESRAC has advertised two posts of librarians to second at the City Library and Norwood Satellite library.
Social Services		Work with the communities in resolving issues that impact negatively on the	1. Assess the need for pauper funerals	People view this as one of the services that they are all entitled to as residents of KSD. Currently there is no clear policy for paupers burial and a

		social fabric of the municipal area.		draft policy will be presented to the Standing Committee in the next financial year.
			2. Arrange pauper funerals	Experiencing problems to assess the needs at the rural areas.
			3. People assisted with social grant applications	Not all applicants qualify as this is meant for a few target individuals.
(PHC) Primary Health Care	HOD	<p>Rendering of quality health services to the municipal area.</p> <p>Ensure full function of the new facility – Ngangelizwe Health Centre</p>	1. Revised PHC agreement adopted.	<p>Service Level Agreement has been reviewed by the Department of Health to cover full Package of PHC Services (100% subsidy).</p> <p>Upgrading of Ngangelizwe Health Centre is underway through Ubarn Renewal Funding.</p>
			2. Data base established recording numbers of patients attended to and the treatment given.	Data capturers to help with recording of patients are required.
			3. Number of clinics and hours open reviewed.	Some of the programs start at 7 a.m.
			4. Number of child immunizations given.	Reached National target of 85%. Reference District Health Information Systems.

			5. Record of infant mortality maintained.	Children unable to breathe at birth (low Apgar scoring) are referred to Nelson Mandela Hospital
Environmental Health	HOD	Improve health standards leading to a clean and safe environment.	1. Physical inspections undertaken to ascertain compliance.	60% businesses inspected are trading illegally due to lack of legal backing.
		Improve standards of food storage and handling.	2. Reported nuisances actioned.	80% of illegal dumping, leakages, blockages identified, but could not be completed due to resources.
		Reduce sickness and the spread of diseases.	3. Food samples taken and sent to a laboratory for contamination tests.	No sub-contracted Forensic Lab. Lack of sampling Kit.
		Encourage residents to take pride in the region.	4. Non-complying businesses handed over for prosecution.	Discouraged by legal not taking the necessary steps
			5. Database established to record all businesses, all inspection and all prosecutions and outcomes.	Done manually, need a computer to install our reporting systems
			6. Number of Certificates of Acceptability issued.	Most businesses in Mqanduli do not comply due to water and sanitation supply problems  No By-laws meant for caterers
Parks & Amenities	HOD	Enhance the appearance of the area.	1. A maintenance schedule approved for each park and amenity.	IKAMVA Consultancy appointed by DEAT to beautify open spaces and entrances in town. Beautification is in

		Support the Tourism agenda.		progress.
		Provide residents with recreational areas.	2. All maintenance work checked and recorded by the supervisor.	All maintenance work is being done but there is a shortage of grass cutting machines.
			3. Entrances to Mthatha beautified.	Still in progress with tree planting and landscaping



## 6.8 Public Safety

KPA	Objectives	KPI	Recommendations
<b>Fire Brigade Operations</b>	Attended to most fire & emergency incidents reported in our area.	<ul style="list-style-type: none"> <li>The division is under staffed due to non filling of vacancies and budget cuts.</li> <li>Vehicle and equipment replacement programmes.</li> <li>Establishment of Mqanduli satellite fire station</li> <li>Enforce business to comply with National building Regulations.</li> <li>Relocate taxi rank situated next to Fire Station in order to avoid late/ delayed response to emergencies.</li> </ul>	<p>That Council should consider</p> <ul style="list-style-type: none"> <li>To increase budget to increase personnel, training of staff in firefighting and prevention and procurement of vehicles and equipment.</li> <li>Station needs repairs to comply with Occupational Health and Safety Act.</li> <li>More satellite stations to be built to comply with Community</li> <li>Increased area of protection approximately 3012sq kms and fire coverage to Mqanduli delayed response time.</li> <li>Protection Legislation for area of coverage.</li> <li>If Municipality is unable to render fire service, then other alternate need should be found such as Rural Metro which takes total control in rendering fire service to ensure the public at large is safe from the adverse effects of fires.</li> </ul>
<b>Capacity building</b>	<ul style="list-style-type: none"> <li>Encourage training to be on a shift basis.</li> </ul>	Officials get skills development training	External training was done for the other industries, factories and more business have been inspected and found to comply with by-laws. their certificate have been issued.
<b>Revenue collection</b>	<ul style="list-style-type: none"> <li>Ensure that Council bills customers for fire related inspections</li> </ul>	Finance to bill customers for fire inspections	At present revenue is collected in person.
<b>Grant Funding</b>	<ul style="list-style-type: none"> <li>Secure external funding</li> </ul>	Request funding from other stakeholders	<ul style="list-style-type: none"> <li>R2.6 million has to be transferred from Bisho to KSDM for Fire Station renovations.</li> </ul>

KPA	Objectives	KPI	Recommendations
<b>Protection Division</b>  <b>By-Law Enforcement &amp; Crime Prevention</b>	Performs operations in Vehicle and foot patrol, body search and premises and Road Blocks within Mthatha, Mqanduli and Coffee Bay.	Perform traffic operations	<ul style="list-style-type: none"> <li>▪ That Council considers increase in budget for procurement of vehicles and equipment.</li> <li>▪ This Section is facing a serious problem for shortage equipment, transport, firearms and radios.</li> </ul>
<b>Capacity building</b>	Encourage training to be on a shift basis.	Officials get skills development training	About 20 Law Enforcement Officers have been sent to Target accredited Firearm Training Provider in East London. The training started in June 2009 and completion in August 2009.

KPA	Objectives	KPI	Recommendations
<b>Disaster Management Operations</b>	<ul style="list-style-type: none"> <li>Storm damage occurred in some areas in KSDM during 2007/2008. Some victims who were affected have been addressed in 2007/2009 and some destitute have been in addressed in 2009.</li> <li>About 83 victims with no coping capacity were assisted by building material to repair houses.</li> <li>Disaster backlog has been addressed.</li> </ul>	<ul style="list-style-type: none"> <li>To establish Disaster Satellite Centre at Mqanduli which will accommodate Fire &amp; Emergency Services and other emergency services?</li> </ul>	<ul style="list-style-type: none"> <li>All affected parties in the construction of Disaster Satellite in Mqanduli be informed to contribute towards building of Satellite</li> <li>Standing Committee in the development of Satellite in terms of land to be utilized.</li> </ul>
<b>Grant Funding</b>	<ul style="list-style-type: none"> <li>Secure funding</li> </ul>	Request funding from Provincial Government	<ul style="list-style-type: none"> <li>An amount of R560 000-00 has been transferred to KSDM Disaster Management by the Provincial Disaster Management Centre. The grant funding will be utilized as per business plan forwarded to Province.</li> </ul>
<b>Capacity building</b>	Encourage training to be on a shift basis.	Officials get skills development training	<ul style="list-style-type: none"> <li>About 30 Access Control Officers have been sent to Target accredited Firearm Training Provider in East London</li> </ul>

***B. Annexure***

**Full AG report;**

**Audit committee report**

**Approved Municipal Structure;**

**Council resolutions adopting the Annual Report**